8-21 APRIL 1992
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PUBLICATION RS 10

THE GODREJ GROUP: NEW CHAPTER

BusinessWorld

THE MAGAZINE FOR INDIAN BUSINESS

C. F. T. R. I., MYSORE



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Aditya Birla

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THE BIG BIRLA'S BIG PLANS

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The style? A chequered summer sunset in flaming

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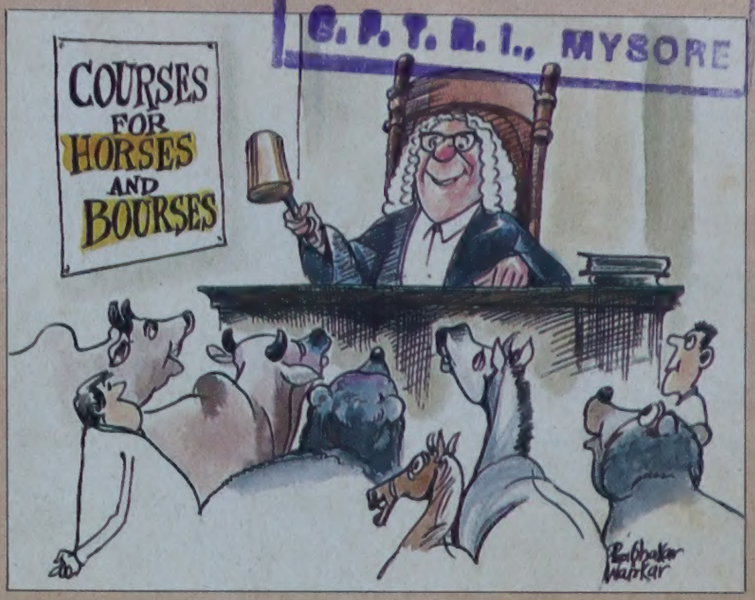
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BUSINESS QUOTES

C. F. T. R. I., MYSORE



There are three major gambling dens in our country — the race courses, the stockmarkets (the bigger one) and our law courts (the biggest one).

Forbes group chairman F.A. Mehta arguing the case for a National Judicial Commission, in a letter to The Times of India.

Newness is all. Everybody wants something new after some time. After 10 years in the market, there must be some drama.

Balsara managing director N.S. Rajadhyax on the relaunch of Promise toothpaste with a 'new clove oil formulation,' quoted in Sunday Mid-Day.

The boom is not based on tested market logic. There is no way an investor can safely lay his bet on a particular stock by way of established parameters.

Bombay stock exchange executive director M.R. Mayya on the stockmarket boom, quoted in Sunday.

The present boom in the market is the beginning of an economic miracle in the country.

National Housing Bank chairman M.J. Pherwani, quoted in India Today.

...people will be the biggest beneficiaries and democracy will take deeper roots. Liberalisation will not spell the doom of democracy.

Union finance minister Manmohan Singh, quoted in Business India.

...there are a very large number of people in India who genuinely think India has no problems; who genuinely think there should not be any outside people, and they have very long hands.

Non-resident Indian industrialist Swraj Paul on the central government's delay in clearing his takeover of the ailing Indian Iron & Steel Co, quoted in The Independent.

It is only when the chips are down that you really know who your friends are.

Southern Petrochemical Industries Corp vice-chairman A.C. Muthiah, quoted in The Economic Times.

Busine

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BANKING & FINANCE

FLOUNDERING FUNDS?

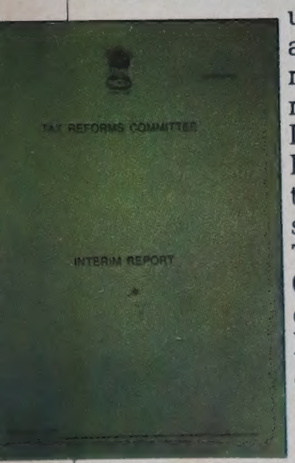
They were mooted as the first step towards opening up the Indian bourses to foreign investment. But the various India country funds continue to languish in the international markets.

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ECONOMY

THE CHELLIAH REPORT

In a quiet corner of the capital, a four-member committee has embarked upon an attempt at radically reforming India's Byzantine tax structure. The Raja Chelliah committee has just submitted its first report. A look at the little-known aspects of the committee's work so far.



15

PUT THROUGH THE MILL

After boom times in the recent past, the paper industry seems to be headed for trouble.



24

COVER STORY

THE BIG BIRLA'S BIG PLANS

Grasim Industries, the flagship of Aditya Birla, has embarked on a major expansion-cum-diversification spree. Viscose staple fibre output is being stepped up, mainly for export purposes; cement capacity is being increased; the sponge iron unit is getting along apace; and, of course, there is the Rs 1,000 crore-plus Mangalore Refinery. Birla is indeed shaping a megacorp.

22

INTERVIEW

"THE PROBLEM IS BUREAUCRATISATION"

As the costs of remoulding the Indian economy are making their inevitable appearance, labour leaders are worried that workers may have to bear the brunt. Trade unionist D. Thankappan expresses his views on the controversial issues of privatisation, the exit policy and the role of trade unions in the new times. There will be problems aplenty, he feels.



THANKAPPAN: *Worrying times*

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INVESTMENTWORLD

FREE FOR ALL?

Companies will be allowed to fix their own premia for public issues very soon. But the proposal has opened a can of worms.

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AD&MARKETINGWORLD

COLA WARS

As summer approaches, the key players in the soft drinks market are readying for another round of cut-throat competition. The battle this time is all the more crucial because Coke's coming is round the corner.

67

INFORMATIONWORLD

COME ONE, COME ALL

The Manufacturers' Association of Information Technology (Mait),



PAWAR: *New thinking*

currently presided over by Rajendra Pawar, is trying to bring various segments of the industry under its fold.

sWorld

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IN THE NEWS

PRECIOUS PLANS

If Sarla Gems managing director N.K. Surana had his way, every Indian woman — from teenage college girl to 40-plus housewife — would wear costume jewellery. Last month the company



SURANA: *Jewels for all*

exported its first consignment worth $50,000 to the US.

Other In the News items from p.78.

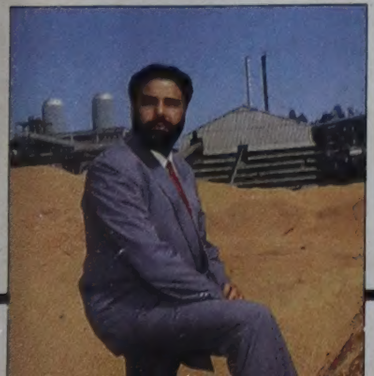
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CORPORATE

RICE KING

Kewal S. Dhillon, a non-resident Indian who returned to Punjab 10 years ago, is today one of India's leading rice producers. The Sikh businessman's plant has one of the largest installed production capacities in the country.

DHILLON: *Reaping profits*



46

SPENCER: PLENTY IN STORE

A whirligig of new business activity has kept the 127-year-old Madras-based Spencer humming ever since the company came into the RPG group fold two years ago.



THE SPENCER SUPER STORE IN BANGALORE: *Good showing*

Other Corporate Reports on Tribeni Tissues, Camlin, J.B. Advani & Co (Mysore), Eagle Flask Industries and VST Tillers Tractors.

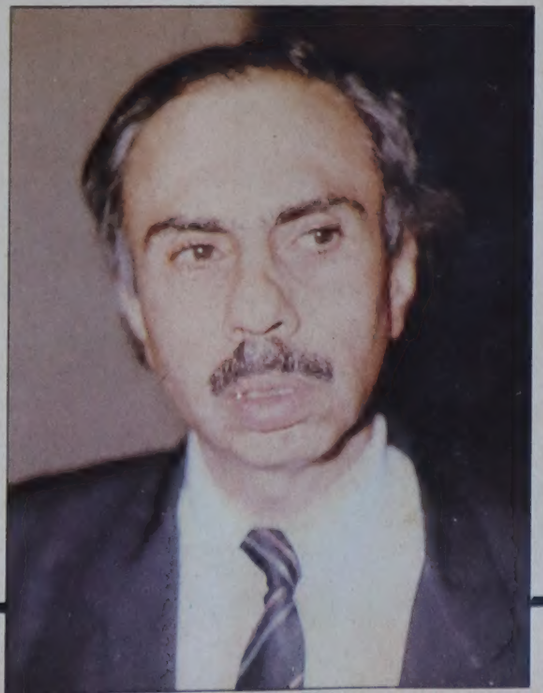
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SPOTLIGHT

GODREJ GROUP: NEW CHAPTER

The Godrej group has long sworn by the virtues of staying private. Now, however, there seems to be some new thinking. Part of Godrej & Boyce will be spun off into the tieup with General Electric and some of Godrej Soaps' businesses will also be farmed off to a new company. Godrej Soaps managing director Adi Godrej has readied the group's gameplan for the nineties.

GODREJ: *Wider ambit*



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BACK OF THE BOOK

EXECUTIVE GUILT

As more and more women wend their way into executive slots in companies, working parents who leave children behind at home are increasingly confronted with a new phenomenon — executive guilt. A few corporations, meanwhile, are coming to grips with the problem by setting up daycare centres and introducing flexitime for employees.

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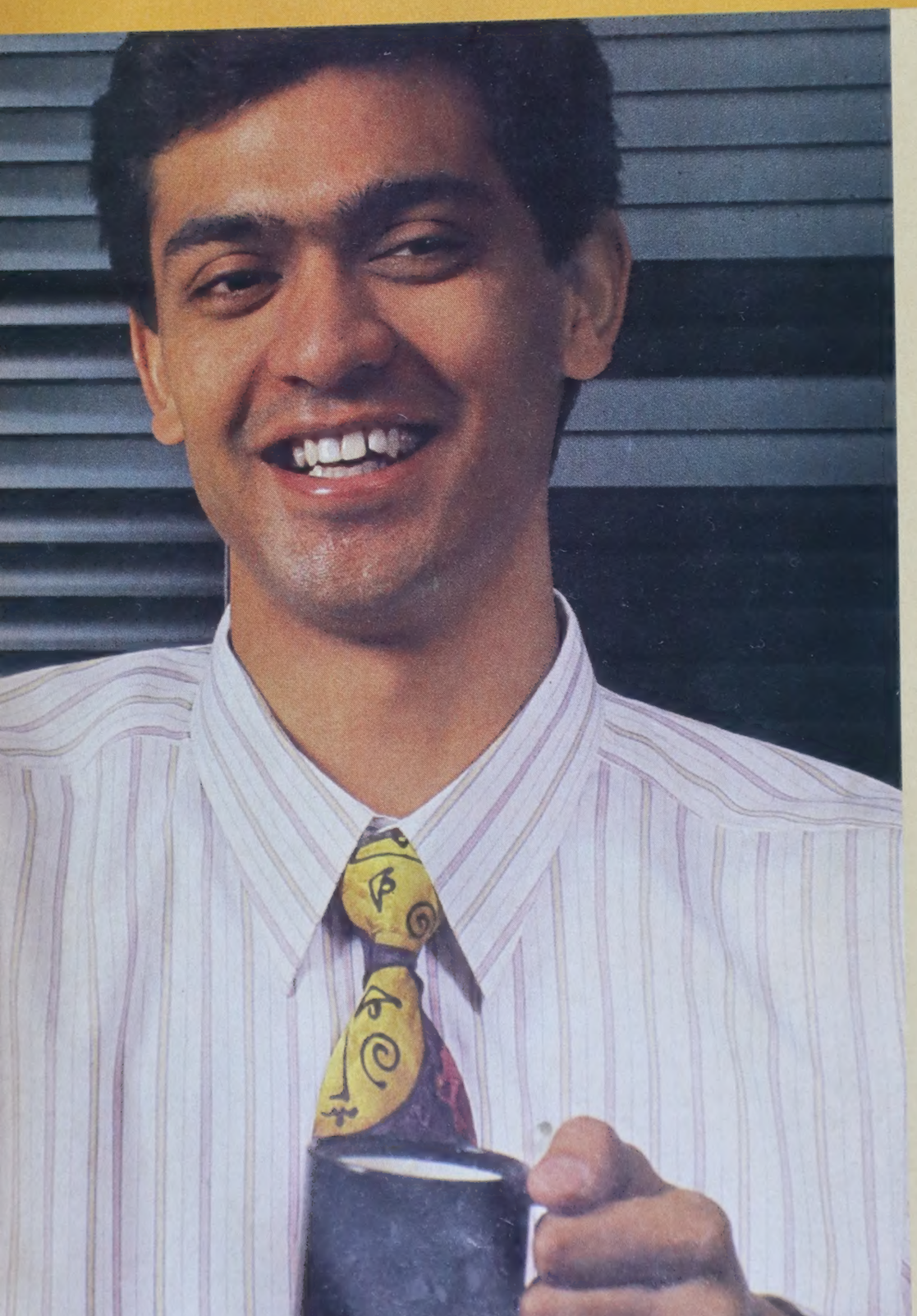
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Cover pix by Dhanesh Thakkar

LIE ?



There was this guy right ou
of Madison Avenue.

Black patch and all. But he
helped sell the shirt. And, as long
as he sold, things seemed fine.

Both for the shirt maker an
for the guys who did the ad.

Then, one day along came
me. And I looked. And I looked
deep. For similar stuff. Right here
in India. What did I find?

Collars that warped. Cuffs
that sagged. Seams that wrinkled
And fabric that looked (after a fe
washes) like last year's Yellow
Pages!

I got bored.

Finally, came this one.

Bruno Sante.

Somehow, these guys seem
to have mastered the art. Is it the
Italian connection, I wonder!

The shirt you see here has
had 11 washes. See what I mean.
I could walk into the Governor's
party right now and they'd think
I stepped out of Harrods. Five
minutes ago.

And you say advertising is
all hype? You don't know what
you are missing.

BRUNOSANTE

Crafted Italian Shirts. For M

FRUITS OF REFORMS



Change has its own momentum, often irreversible. The cataclysms which have changed the world order over the last couple of years should logically conclude with two irreversible fallouts: the collapse of communism in China and of apartheid in South Africa.

Thanks to the farsightedness of president F.W. de Klerk of South Africa, who has been advocating — against strong odds — the path of non-racial, democratic reforms, the latter eventuality is likely to be a reality sooner rather than later. South Africa is a country inhabited by 30 million 'blacks' and only 5 million 'whites.' The basic tenet of equity requires all citizens to have equal rights — this truth can never be denied.

The success story of apartheid, so far, is the story of how vested political interests can successfully subvert a system to keep their power-base intact. Today, it is abundantly apparent that this power-base will have to be shared. Given the long history of oppression in South Africa, the resultant power disequilibrium could well involve violence. If president de Klerk can actually negotiate a new constitution and usher in a peaceful revolution, future generations will have much to be grateful for.

One of the few stable factors in India's foreign policy has been its stand against apartheid and its support for a non-violent movement for restoring natives' rights in South Africa. As the only non-white country with substantial ethnic links with South Africa, India is indeed in a unique position to take a lead, set an example and, to a certain extent, force the pace of change.

The normalisation moves initiated by India are in the right direction. What started as cricket diplomacy has gone ahead into a restoration of travel rights and a likely commencement of direct air traffic. Already, there has been talk of possible business investments; if the fairly prosperous South African market is fully open, Indian exporters may well find a breather.

Politics apart, as and when black South Africa comes about, prospects and possibilities are truly exciting.

India is in a unique position to take a lead and force the pace of change in South Africa



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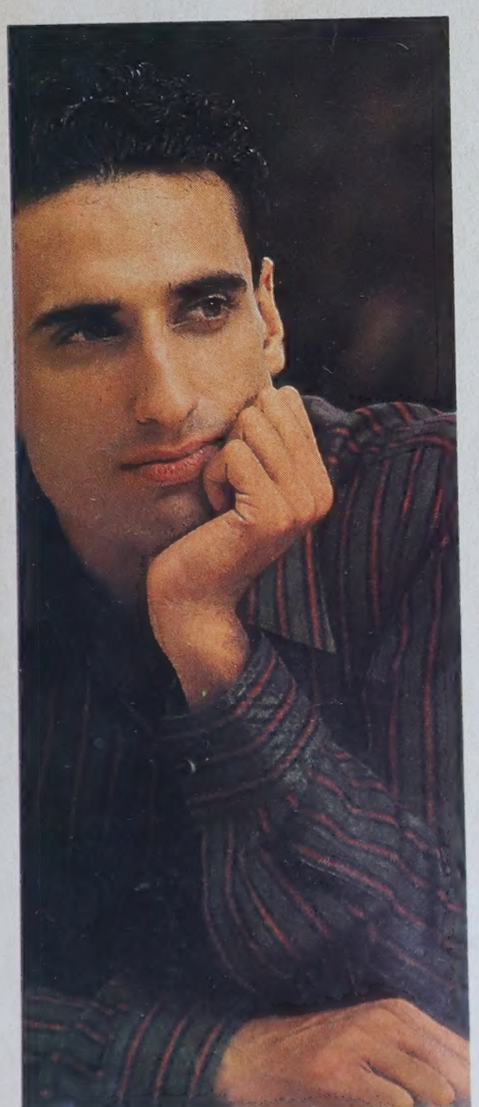


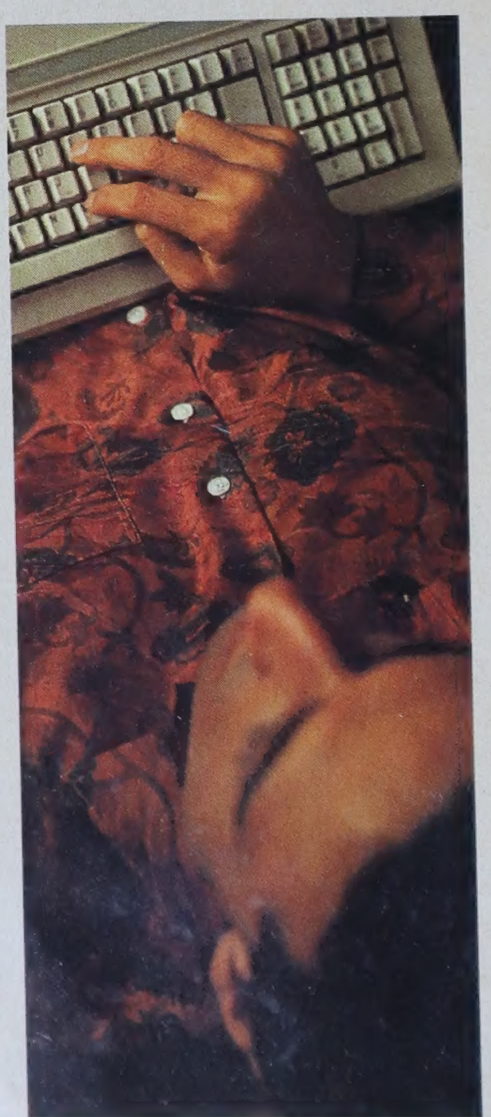


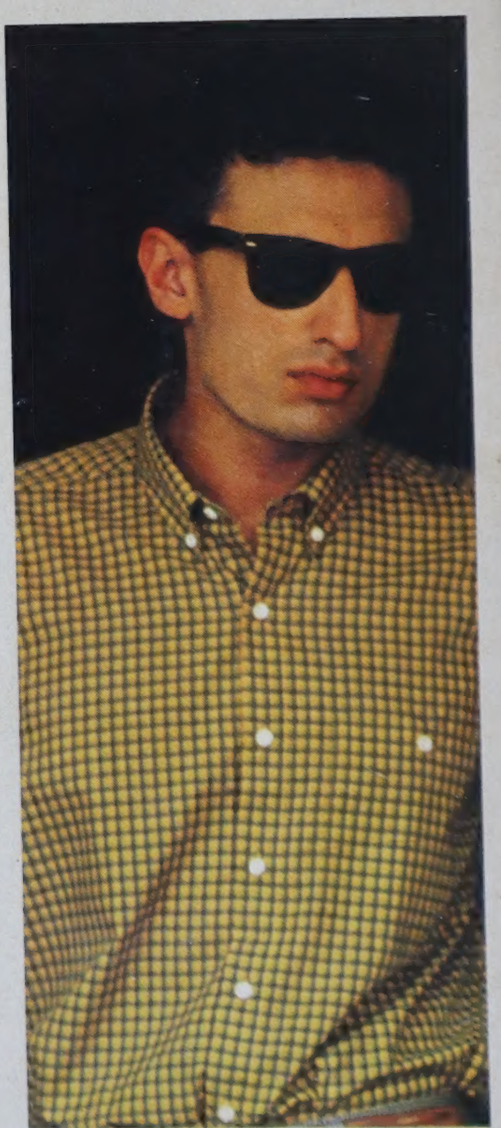
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LETTERS TO THE EDITOR



SOVEREIGNTY AT STAKE?

This refers to the Business Feature 'High stakes' (*BW* 26 February-10 March 1992). It is ironical indeed that despite being allowed to hike their stakes to 51% multinationals are not interested in doing so. It is evident that they want to wrest more concessions from the government. If the government removes the existing conditions, it will lead to an outflow of foreign exchange, thus aggravating the current crisis. We stand the risk of losing our sovereignty to the World Bank and the IMF.

Ritesh Bhatt
Ahmedabad

UNCONVINCING ARTICLE

The Strategy article on *Savvy* 'Marketing savvy,' (*BW* 26 February-10 March) was, for once, not convincing. To say that *Savvy*'s "core focus is women of substance" is hogwash. In my opinion, this Hira publication owes its success primarily to its reliance on scandals and sordid revelations. The magazine seems to have perfected the art of "subtle pornography" (talk dirty, preach clean) to the hilt. Most of the women featured are not averse to trading their dirty linen for instant fame.

However, I have a confession to make — which perhaps best explains the reason for *Savvy*'s success — I, too, read it.

Pesi Daruwalla
Bombay

LACKING ORIGINALITY

The Trends article 'The Dink syndrome' (*BW* 26 February-10 March) is very interesting not because of its originality but because it was conveniently plagiarised from the BBC programme "Letter from America" by Alistair Cooke that was broadcast in 1987 or 1988. Cooke also talked about Swelms (single women earning lots of money), Sinok (single income no kids) and single income one kid referring to unmarried motherhood. *BW* has unfortunately committed a terminological error in calling it Double Income. Double means two times a particular amount; it should be Dual Income which was the term used by BBC.

Mary Grizel Parayacattil
Ahmedabad

CATCHING ON

The Trends article 'The Dink syndrome' touched upon an issue nobody had thought of or given any importance. The Dink syndrome is really catching on with couples who want to make the most of life — no matter what society or their parents think. This change in the social scenario is something nobody can control. Let the Dink phenomenon stay; we welcome it wholeheartedly. May their tribe also increase!

Arta Mishra
Cuttack

CAVALIER TREATMENT

This refers to the Economy piece 'A bleak picture' (*BW* 26 February-10 March). It is really tough times for the colour TV industry. The government, in its latest budget, should have given far more concessions to this industry instead of treating TV and car manufacturers in the same manner. After all isn't a car a more luxurious item than a TV?



A COLOUR TV: *Tough times for the industry*

S. D'Souza
Bombay

RIGHT FOCUS

I don't agree with Rajeev Desai's Letter to the Editor 'Wrong focus' (*BW* 12-25 February) which indirectly suggests that articles on the computer industry should be discontinued. *BusinessWorld* has a unique structure, with articles on taxation, management, computers etc. Also, it is economical when compared to other business magazines. Improvements should be considered only when they do not disturb the present structure of the magazine, which I think has a "Right focus."

N.P. Sreedhar
Bangalore

VAIN EXERCISE?

Finance minister Manmohan Singh's budget, and the restructuring it proposes, is not just an exercise of getting the numbers right; it is an exercise in political economy, which cannot be judged without asking who benefits and who pays. And the answer is clear: it is the poor who pay, through taxes on necessities, on the transport system that carries goods to them, through foregone consumption and through a backbreaking inflation that is thrust upon them in the name of "progress and development." And who benefits is also clear: the same elite which has monopolised the commanding heights since independence.

At issue is not whether the changes were suggested by the World Bank or the IMF but whether they make good sense.

R. Siddharth
Bangalore

LOSING OUT

Contrary to media reports, the government is unlikely to appoint S.C. Kapur, former chairman & managing director of the state-owned Hindustan Vegetable Oils Corp (HVOC), as head of the public sector India Tourism Development Corp (ITDC). Kapur has been pipped to the post by an IAS officer from Assam, although he apparently tops the Public Enterprises Selection Board list.

Kapur is now president of the Singhania-run J.K. Petrochemicals, and has been seeking rehabilitation in the public sector since the Congress returned to power in New Delhi. Despite having turned round HVOC, he was virtually turfed out as chairman & managing director by Ram Pujan Patel, minister of state for civil supplies in the V.P. Singh government.

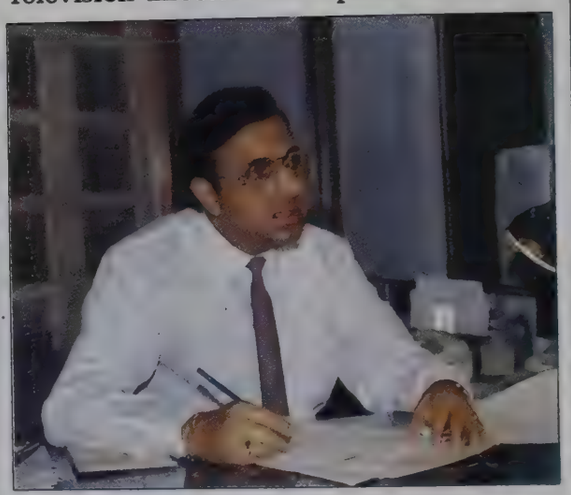
According to informed sources, Kapur was informally sounded on his assuming his old post at HVOC, but he turned down the offer. The former HVOC head had also put in a bid for the top slot at Indian Airlines, but that is unlikely to fructify: minister of state for civil aviation and tourism Madhavrao Scindia is keen that the head of a joint sector corporation in Gujarat heads the airlines.

CABLE MOVES

As the action on the cable television front hots up, more and more media heavyweights are scrambling to cash in on what promises to be one of the biggest business opportunities in decades.Take the case of Times Television, an offshoot of Bennett Coleman, publishers of *The Times of India, The Economic Times* and assorted magazines and newspapers.

For several months, Times Television has been seeking to tie up with the Hongkong-based Hutchinson Whampoa, whose Asiasat beams the popular Star TV programmes. Some months ago, the Bennett Coleman brass camped in Hongkong to hold discussions with Hutchinson officials, but to little avail.

Last fortnight, the Hutchinson-Times talks were renewed. Apparently, Times Television wanted to lease a transponder on Asiasat and beam Hindi programmes, using a network of franchisees. Times has a lot of grand plans. According to Times Television director Pradeep Sarkar: "Our aim is to create different prime times and programmes for different groups of people and get sharply-focused advertising. Even if we get 15% of Doordarshan's advertising revenue of Rs 350 crore, we are fine." Times intends to have some 20 channels.



SARKAR: *Trying again*

That may take some time a-coming because talks have once again broken down. Exactly why is not clear, but could Hutchinson's asking price of $5 million have been one reason?

Whatever the reason, what's clear is that Times Television won't give up easily. Will it be lucky the third time around?

SUPER PLANS

The public sector Indian Telephone Industries (ITI) is planning to make several new forays. In a bid to widen its operational scope, ITI is going into supercomputers. It has recently signed a technical tieup agreement with the Centre for Development of Advanced Computing (C-DAC) for turning out parallel processor-based supercomputers.

Meanwhile, ITI is expected to launch its series of personal computer add-ons soon. ITI insiders aver that work is proceeding apace at the switching equipment project the company is implementing with Alcatel knowhow. The product launch could be some time during 1993-94.

PUSHING SOFTWARE

The Oberoi group's hotels might be exceedingly high profile, but not all its businesses are necessarily so. For instance, tucked in the group's fold somewhere is a small but high-performing software development outfit which specialises in hotel management software development programmes. The firm is finding takers overseas as well, and recently the Oberoi group signed a marketing deal with Digital Equipment Corp by which Digital's considerable muscle power worldwide will be used to push these packages in international markets. All of which goes to show that our homespun software whizkids are second to none.

ADVANI FORAY

The Bombay-based J.B. Advani & Co (JBAC), the holding company of the Advani group, is raring to get into manufacturing. Currently, most of the manufacturing operations of the group are carried on under the umbrella of the Bombay-based Advani-Oerlikon and the holding company is essentially a trading outfit (the lion's share of JBAC's revenue comes from its agency business; the company is the Indian representative for various global engineering and machine tool companies). Under consideration for manufacture are a host of items including bulk drugs and packaging materials.

Meanwhile, Advani-Oerlikon is working at consolidating its strengths in welding and industrial electronics and control systems. It has tied up with a Malaysian company — Timah Bhd — to manufacture welding electrodes at Kuala Lumpur. A new outfit, Advani-Oerlikon's first overseas venture, has been formed. Advani-Oerlikon has chipped in with 26% of the equity and Timah Bhd 40%. The balance will be offered to the Malaysian public.

CATCHING UP

The Bombay-based Grindwell Norton, which is now under the French conglomerate Saint Gobain umbrella, is belatedly trying to catch up with competition. While its industrial ceramics project in Bangalore has been green-signalled, it is also looking around for suppliers for a range of new products which it proposes to market. These made-to-specification products will be sold under the Grindwell Norton brand. As a first step, the company has identified two items — metal cutting fluids and diamond tools. Soon to be added to this list are hand tools.

FISH FORUM

The Thapars are fishing for a new association of aquaculture and fishing companies. Several small associations already exist, but the big boys of the industry are not very happy with their working. The Thapars, therefore, are toying with the idea of sounding other big enterprises in the business (the Tatas, Hindustan Lever) on a new body to represent their interests.

According to the Thapars, the new association will concentrate on joint efforts in exports (joint market surveys is one possibility), and on inducting the latest technologies into the business. The association will in all probability be located in Madras.

TAXING TIMES

Manmohan Singh's budget has freed shares from wealth tax, but this comes into effect from next year. As a result, several leading industrialists are for the time being sticking to the steps they took to beat Singh's decision in last year's budget to tax the assets of investment firms on the basis of their market values.

The Wealth Tax Act still makes a distinction between investment companies and other firms: the wealth tax on other concerns is based on the book values of their assets, as opposed to the market value which applies to investment firms.

A leading industrialist in the capital confirmed that his business house was going ahead and merging an investment company with a group manufacturing enterprise. If this was not done, he said, he'd have to cough up about Rs 2 crore to the taxman, in view of his personal stake in the investment company. After the merger, the group would depress the share values of the new, combined company, he confided.

But that's only one method of circumventing the law. Tax lawyers in New Delhi say that several businessmen transferred their personal shareholdings to manufacturing concerns after last July's budget, and then backdated the transfers.

The moral of this story: for every law, there's always a loophole.

MORE FISSION

Megacorp, the Delhi-based advertising agency, is splitting. Set up around three years ago after Clarion Advertising Services vice-president in Delhi Sudhir Lal walked out with Clarion's Indodan and other accounts, Megacorp is now in the same position Clarion then was. Five Megacorp executives headed by Karunender ("Kaku") Mathur, the agency's client servicing director, have walked out with the Liberty shoes account to float a new agency. The account is apparently worth Rs 1 crore, though Lal dismisses the sum. He, however, concedes that Megacorp has lost a substantial part of the account. "History repeats itself," says Lal ruefully.

Indeed, Megacorp's cup of woes is overflowing. It worked on the Congress(I) election campaign, but the ruling party hasn't paid the hefty bills. What's more, the once-cosy relationship that existed between Indodan boss H.S. Jalan and Lal has cooled. Jalan's Indodan account had helped Lal set up Megacorp.



LAL: *Unfazed*

Lal remains unfazed. Says the Megacorp managing director: "The break-up won't hamper us because we have bagged some major accounts." Megacorp is making a foray into financial advertising, and has bagged the accounts of a Bombay-based international bank as well as that of a leasing concern.

GILT JITTERS

Liberalisation does have its unexpected costs. Indian bankers have just realised this cruel truth. The issue at stake: the recent decision to bring the coupon rates on government securities more in line with market rates.

While most bankers accept the principle, the timing of the government's move to increase the coupon rate on long-dated government securities by one percentage point has come as a surprise. The expectation was that the interest hike would come during 1992-93. Instead, it materialised during the last tranche of the 1991-92 market borrowing programme itself. The result of this premature move was a heavy depreciation in the prices of all other previously floated government bonds. Obviously, the value of the banks' portfolio of gilt-edged securities has plummeted. This is bound to hit bank balance-sheets.

To set things right, commercial bankers are now said to be lobbying the central bank for help. The Reserve Bank has been known to have earlier exempted the banks from showing any depreciation in their portfolio of gilts by accounting for them at cost price. It is expected that it will be the same this time around too. Else India's commercial bankers will find themselves suffering from a serious gilt complex.

Widespread reforms are on the cards.

THE CHELLIAH REPORT

In a quite corner of the capital, three or four men meet sporadically, perhaps once a week, sometimes oftener. At times they communicate over telephone. And on most days of the week, at least two members of this group sit at the National Institute of Public Finance & Policy (NIPFP) in New Delhi's so-called institutional area, pouring over documents and writing notes.

The group of men is engaged in one of the most momentous tasks in India's fiscal history: ushering in sweeping reforms in the country's Byzantine tax structure.

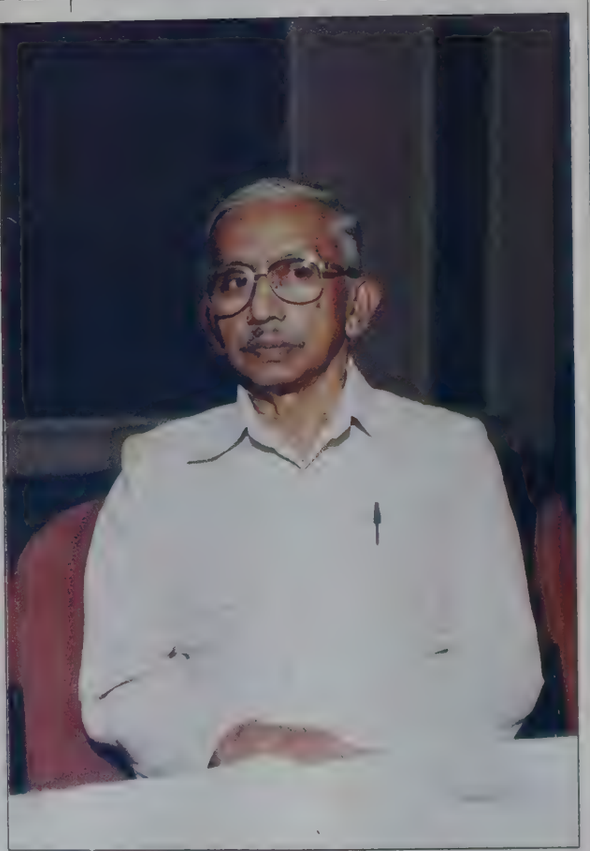
The men: Raja J. Chelliah, economist and former planning commission member; S.V. Iyer, former head of the country's economic intelligence bureau and a former member of the Central Board of Excise & Customs (CBEC); Amresh Bagchi, the economist who was director of NIPFP till he joined the World Bank; V.U. Eradi, former member of the Central Board of Direct Taxes; and chartered accountant V. Rajaraman.

The Chelliah-headed committee is due to submit its second report by April-end. It handed its first, interim, report to the government last December.

Focusing on corporate taxation, the second report will probably recommend that the government continue with the current system of taxing dividends twice, first at the company level, and then when they're received by shareholders. This apart, the difference in the tax rates for widely- and closely-held enterprises may go. Widely-held companies are taxed at a rate of 45%, versus 50% for closely-held firms, excluding the surcharge. "All these differences should go," says a member of the committee who does not wish to be identified.

Explosive question. The second report will also further dwell on the potentially explosive question of taxing employee fringe benefits such as free or concessional housing (including government houses allotted to senior officials and ministers) and leave travel allowance.

According to committee members, the report will also review the taxation of foreign companies in India. Finally, it will recommend steps to revamp the tax department and ensure that taxpayers aren't harassed. Adds a committee member: "We are also going to consider the various excise and customs exemption schemes. The entire tariff is bristling with them. There are 500 excise exemptions and about 800 customs exemption notifications."



CHELLIAH: *On the stormfront*

Certainly, some of the recommendations on corporate taxation could trigger off a storm. But some of the suggestions the committee has already made in its first report are equally dramatic and radical.

Replies a committee member when asked whether the 398-page report could be described as radical: "In a manner of speaking, yes." In this connection, he cites three far-reaching recommendations:

- The government's power to grant exemptions from excise and customs duties must be withdrawn. This would introduce some stability in indirect taxes and so usher in a new tax era.
- The government must give up the concept of additional resource mobilisation. This won't be required if the tax system automatically yields more revenue or becomes "income elastic" — which should happen if some of the committee's recommendations (such as shifting in greater measure to ad valorem tax rates from the currently more widespread specific rates) are implemented. One upshot: budgets won't raise more taxes.
- Tax officials must be stripped of their quasi-judicial standing. Following a supreme court ruling, their decisions now have a semi-judicial element. The Chelliah committee wants powers to classify products under tax heads to be concentrated in the CBEC.

By no means are these the only sweeping suggestions. Consider the following:

- The tax incentives the government now grants to encourage savings, rural development programmes, new industrial undertakings, book publishing and the like should be eliminated.
- Among other things, textiles should be brought within the ambit of the modified value-added tax (Modvat). So should wholesale traders.
- The three-rate income tax schedule finance minister Manmohan Singh's budget introduced is intended to be a transitional arrangement. Says the Chelliah report: "We recommend that within the next three years the government should move over to a system with two rates." The rates: 27.5% tax on incomes between Rs 30,000 and a level to be arrived at by increasing the Rs 2 lakh level the committee recommended; and 40% tax on incomes above that level. What's more, the committee recommended that the

tax exemption level be indexed for inflation — a demand voiced by the estimates committee of parliament — subject to a minimum floor of Rs 30,000.

- The setting up of a tariff commission, possibily by converting the Bureau of Industrial Costs & Prices into an agency that will determine import duty rates.
- The ban on importing non-essential consumer goods may be lifted by 1998-99 if the foreign exchange position then permits this. Imports may be allowed at the peak duty rate of 50%, excluding countervailing duty.

"We have thought of a new tax regime that will require a totally new type of thinking by the tax authorities," points out the committee member.

Other steps. The committee has, of course, suggested a host of other steps to make the tax system simpler and more broadbased, to increase government revenue and alter the tax basket so that the government is less dependent on indirect taxes (customs and excise duties) for revenue. Indeed, many of its recommendations have appeared in the media as part of the report's summary. But several have not — as a reading of the actual report shows. (A copy of the report was made available to *BusinessWorld*.)

Yet, there's little doubt that the Chelliah committee's recommendations are also significant because they're likely to influence future government policy. Already, they've heavily influenced the framing of this year's budget. Among the recommendations that figure in the budget: the new three-rate income tax structure with far fewer tax deductions, the lowering of customs duty rates from an average of 180% to 110%; the proposal to merge for tax purposes the incomes of minors with those of their parents; and the move to link capital gains with inflation rates.

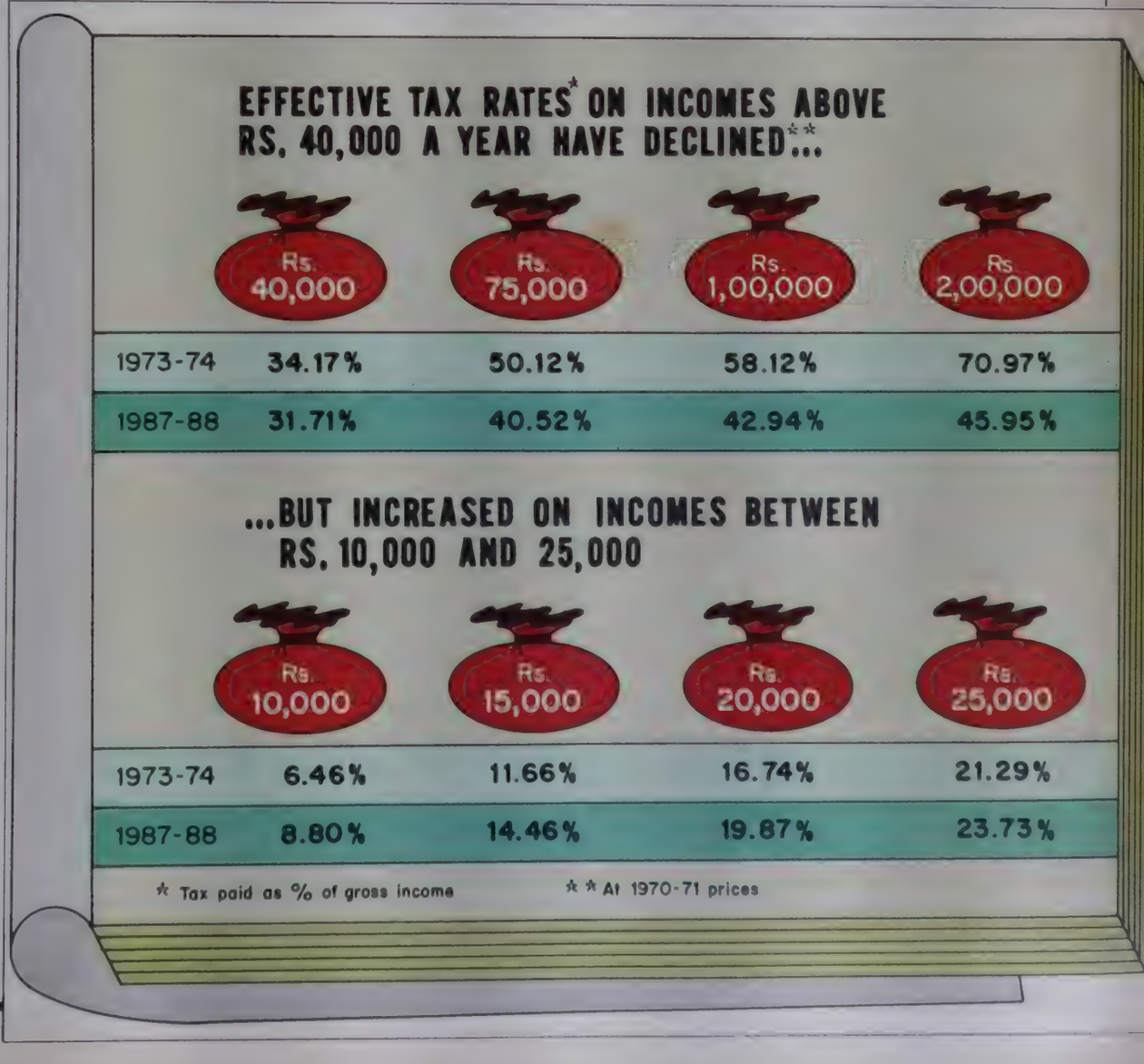
Nonetheless, it's true that the government has not so far implemented several other committee recommendations. A committee member confided that the proposal to set up a tariff commission was meeting resistance in the government.

Several other proposals that the government has not acted on include the establishment of a special assessment procedure (basically, a new simplified tax rate structure) for small businesses; taxation of services such as those provided by advertising agencies and stock brokers; the withdrawal of the power to grant exemptions from excise and customs duties through notifications (though the government has accepted a supplementary proposal that it acquire the power to intervene in tax matters in emergency conditions); and a 10% ad valorem tax on a range of tax-exempt products such as newsprint, branded wares, readymade garments, bicycles and so on. "The point that all tax-exempted things should pay duty has not been accepted," agrees the committee member.

So far, no action has been taken on the proposal to tax fringe benefits like government housing at market rates. Committee member V.U. Eradi explains its implications: "There's no taxation of perquisites for government people, next to no taxation of public sector perquisites, but a lot of taxation of private sector perquisites. This would have meant a little more tax for government people and for public sector men, and a little less for the private sector."

To be sure, the government has also not adopted some of the committee's income tax-related suggestions. Example: in its pursuit of lower tax rate, the committee had proposed that the three-rate system the latest budget adopted exclude any surcharge. "It doesn't, and so the maximum rate is 45%," says a tax expert in the capital.

Formidable task. For all this, the Chelliah report will unquestionably



prove to be the government's *Magna Carta* on tax matters in the years ahead. Certainly, the committee was confronted with a formidable task. Notes the report: "The task before us is formidable because not only is the tax structure complicated and its indirect tax component far from rational, but also tax compliance is low and tax evasion is widespread. This is partly because of high rates, partly because of the mentality of many taxpayers and partly because of inefficient tax administration with corrupt elements, whose morale has also been affected by political interference."

According to Eradi and other committee members, the Tax Reforms Committee set about its task by drawing on the research findings of the NIPFP, the literature on tax reform in other countries and foreign tax experts. "We did a lot of computer simulations too," says Eradi.

The outcome of all this were some striking numbers on which several of the committee's premises are based.

Premise one: the Centre's tax basket is highly skewed in favour of indirect taxes. Customs and excise duties account for over 75% of the Centre's gross tax revenues. Major direct taxes, on the other hand, contribute less than 20%. (One reason for this pattern developing is that the Centre has to share 85% of net income tax receipts and 45% of excise revenue with the states. So New Delhi has, in fact, jacked up import duties and corporate profit tax rates which don't have to be so shared.)

Premise two: over the years, income tax rates have tended to favour the better-off. Middle income groups have been left largely untouched, but those at the lower end of the income scale have been badly squeezed. According to the report, effective tax rates (the tax paid as a percentage of gross income) for incomes above Rs 40,000 have steadily dropped between 1973-74 and 1987-88. But they've increased for incomes between Rs 10,000 and Rs 25,000 (see charts).

Premise three: India's tax rates are too high. The ratio of central and state government tax revenue to the gross national product (GNP) has steadily climbed from under 12% in the early seventies to over 19% today. This contrasts with an average tax ratio of around 12-13% in nations with similar per capita incomes. One result of the overly high tax rates: widespread tax evasion.

Premise four: the income tax department is in a mess, and needs to be completely overhauled. Committee members paid unannounced visits to income tax offices in major Indian cities and concluded that record-keeping was abysmal and that widespread computerisation was the need of the hour.

But this may be easier said than done. Committee sources privately say that tax officials are stoutly opposing computerisation. The reason: the outcome will be fewer dealings with members of the public — which in turn means fewer bribes.

For all that, the committee cobbled together all this data and concluded, among other things, that tax rates had to be lowered, the tax structure simplified, tax exemptions and tax shelters had to be eliminated and an element of stability introduced in the system (ad hoc changes every year are a no-no). Says the report: "The constant refrain of this report is that the tax system should be broadbased, simple and should have moderate rates."

As Chelliah and his team work on the final part of their seminal report, that's a viewpoint that nearly everyone will endorse. The question, however, is: does the government have the courage to implement it in full?

□ Palakunnathu G. Mathai

HOW THE TAX SYSTEM DISCRIMINATES AMONG TAXPAYERS*

	** EFFECTIVE TAX RATES	
GROSS INCOME OF RS. 50,000 (per annum)	**1968-69**	**1991-92**
DOCTORS / TRADERS	4.19%	10.49%
MANUFACTURERS	2.70%	5.79%
LANDLORDS	4.96%	13.04%
SALARY EARNERS	5.67%	12.66%
GROSS INCOME OF RS. 2,00,000 (per annum)		
DOCTORS / TRADERS	24.03%	34.66%
MANUFACTURERS	16.29%	25.89%
LANDLORDS	31.74%	42.45%
SALARY EARNERS	32.79%	43.13%
GROSS INCOME OF RS. 10,00,000 (per annum)		
DOCTORS / TRADERS	62.88%	44.69%
MANUFACTURERS	51.06%	35.92%
LANDLORDS	74.41%	53.29%
SALARY EARNERS	74.70%	53.43%

* Thanks to tax shelters
** At 1990-91 prices

The paper industry faces yet another downswing.

GOING THROUGH THE MILL

For the last four years, the Rs 3,000-crore paper industry made whoopee. Prices soared, profits shot up and industry barons furiously unveiled plans to expand production capacities. Several of them even launched bids to take over ailing paper mills.

Over the past year or so, that's dramatically changed. The paper industry's fortunes have, once again, nose-dived. Six months after mills jacked up prices, paper is being sold at a discount in the marketplace (see chart).

What's more, costs have climbed, and the industry would like to raise prices once more (prices were jacked up last September). Yet it's chary of doing so because it fears further buyer resistance. Says R.P. Agrawal, president of the Calcutta-based Indian Paper Makers Association (IPMA), which represents the interests of large, wood-based mills: "Given the current scenario, a commensurate cost revision does not seem possible."

Major paper consumers too agree. Federation of Indian Publishers president D.N. Malhotra says with satisfaction: "Prices were hiked earlier every now and then because of high demand; but the mills cannot do so now."

So why's the industry suddenly in the dumps? Several factors have combined to contribute to the bad times. According to some industry heavyweights, the overall recession in industry and tight money conditions have squeezed the demand for paper. Sluggish demand apart, production outpaced demand in 1991-92.

The numbers tell the story effectively. During the boom year of 1988-89 India's mills produced 17.20 lakh tonnes (lt). This financial year, however, production is estimated to be around 21.50 lt, versus the demand for a bit under 20 lt.

Quite predictably, the stock levels of mills have more than doubled over the past year. The industry today carries inventory of roughly 30 days' production (1.75 lt), versus last year's 10-12 days' (60,000 tonnes) stocks.

Shooting costs. Compounding the industry's current problems, costs have shot up in recent months. Example: the price of caustic soda, a key raw material, went up by 35% last year, according to UP-based Shiva

THE PAPER INDUSTRY ONCE BOOMED...
(Average market price in Rs / tonne)

	Jan 1988	Jan 1989	Jan 1990
CREAMWOVE	11,400	14,400	18,000
MAPLITHO	12,637	14,900	18,500
KRAFT	9,990	10,890	12,800

...BUT PRICES HAVE BEEN JACKED UP – AND PAPER IS SOLD AT A DISCOUNT...

	Rs / tonne Jan. 1991	Jan. 1992	% of Discount Mar. 1992
CREAMWOVE	19,500	21,460	5-7%
MAPLITHO	20,000	23,000	5-7%
KRAFT	14,000	15,000	5-7%

...SO INVENTORY LEVELS AT LEADING MILLS ARE CLIMBING*...
(In days)

	Ballarpur	Straw Products	Nath Papers	Shiva Papers
1991	15	13	10	12
1992	25	25	25	27

* Inventory levels as per company spokesmen. Actuals may be higher, perhaps even 35 days in some cases, according to industry sources.

...AND THE PRICE STAGNATION OF THE PAST COULD BE REPEATED.
(Average market price, in Rs / tonne)

	Jan. 1985	Jan. 1988
CREAMWOVE	11,237	11,400
MAPLITHO	12,257	12,637
KRAFT	9,440	9,990



PRAMOD JAIN: *A temporary phase*

Paper Mills (SPM) managing director Pramod Jain. The cost of power, another vital input for paper mills, has shot up by some 30%. Overall, costs climbed by about 15% compared with 1991 levels, according to IPMA's Agrawal.

If prices aren't increased soon, the bottomlines of paper mills will be squeezed. In the boom years of 1988 to 1991, the industry jacked up prices by an average of 60%. Profits soared. The Singhania-controlled Straw Products, for instance, saw a dramatic turnaround. In a 15-month period spread over 1988-89, Straw Products went into the red by Rs 1.62 crore. In 1990-91, it reported net profits of Rs 15.06 crore. SPM too turned a loss of Rs 1.79 crore in 1987-88 to a net profit of Rs 2.77 crore in 1990-91. Such examples abound in the industry.

But with the boom fading into history, industry stalwarts are gloomily staring at the numbers. Says Indian Agro Paper Mills Association president C.V. Rao: "We've been absorbing cost increases over the past 18 months. It will be difficult to absorb the latest cost increases." In fact, almost everyone in the industry agrees that there's no escape from price increases. "A price hike is inevitable, but the question is when," muses Straw Products president (paper) S.C. Jain, though he admits that "the market is yet to fully absorb the earlier price hike."

Still, most big mills aren't pushing for price increases right now — it's the small, waste paper and agro waste-based mills that are seeking price increases. Says Ballarpur Industries Ltd (Bilt) senior vice-president M.K. Raina: "Increasing prices to offset the rise in production costs is not very relevant now. It is a short-term measure. We have to look within ourselves to solve problems."

Nevertheless, things could get worse before they get better. Says Maharashtra-based Nath Paper Mills managing director Nandkishor Kagliwal: "The chances of inventory decreasing are remote for the time being. It could increase a bit." Adds Delhi-based publisher R.A. Gupta (owner of Pustak Mahal): "Inventory levels increased in the past few months, a period when demand is brisk. This indicated a further piling up of stocks and prices not going up until production is cut."

Production cuts are not quite what most paper magnates have in mind. "I don't think anyone will cut production now," says Jain of Straw Products — but the going could certainly get worse in the near future because inventory levels are bound to go up. Reason: several mills have embarked on modernisation programmes. Straw Products for instance, is adding 15,000 tonnes to its current capacity of 65,000 tonnes. And Bilt too is expanding capacity at its Shree Gopal unit at Jamnagar, spending anywhere up to Rs 300 crore for this.

Quite simply, this is because manufacturers are convinced that they can overcome their problems by pepping up efficiency. Modernisation is bound to raise the industry's capacity utilisation from the 1990-91 level of 82%. In turn, this could result in increased production. Output in the current year is likely to be around 22.50 lt, even as demand grows marginally, leaving a surplus of roughly 2 lt by the year-end.

Cyclical industry. For all the gloom in the industry, several paper men believe that the bad times are temporary. Bilt deputy managing director Vikram Thapar points out that the industry is a cyclical one. SPM's Jain echoes the point: "It is a temporary phase because of the sluggish economic conditions and decline in exports."

Underpinning such optimism is the coming paper famine. A recent study on the industry by the Industrial Credit & Investment Corp of India (ICICI) suggests that a 2.10 lt paper shortage will develop by 1995-96; by the turn of the century, the deficit will

RAO: *Hassled by cost increases*



A NOSE FOR NEWSPRINT

In paper industry circles, it's called the Great Paper Chase. Suddenly, a commodity that most businessmen cold-shouldered for decades has become one of the hottest business opportunities in town.

The product in question: newsprint. At the moment, five mills turn out over three lakh tonnes (lt) of newsprint a year. But an amazing number of corporations have queued up to set up newsprint projects. Among them: the Mittals of construction fame, Coastal Paper, Nath Paper and Shreyans Papers.

That's not all. The Ahmedabad-based Sanjay Lalbhai group of companies has a newsprint project on the drawing boards, Ballarpur Industries Ltd (Bilt) doesn't rule out a sally into newsprint and a bevy of concerns is in the race to join hands with Nepa Mills and promote a Rs 640 crore venture in Uttar Pradesh. The aspirants for the joint sector project are Straw Products, the Birlas, ITC, Bilt and two non-resident Indian businessmen.

Not all of these hopefuls will finally put up newsprint mills. But, given the tough operating conditions for newsprint projects and capital costs and raw material requirements that are higher than for other paper ventures, what explains the mad corporate rush?

The answer, very simply, is the scarcity of newsprint. Industry sources place the current gap between newsprint production and demand at 3.65 lt (other estimates peg this lower). The shortfall could grow to 4.40 lt in 1993-94. (According to the ICICI study, however, after several projects that are in the pipeline start production, there will be a shortage of 3.40 lt a year by the turn of the century.)

This apart, those who hope to set up newsprint projects believe that the government will prefer to import raw material, rather than the finished product.

Still, several of those who're planning newsprint projects want the government to cut duty on waste paper imports, follow a consistent import policy and allow mills to have captive tree plantations.

"The government has to assure a consistent policy," complains Badal Mittal of Aurangabad Paper, who has already started producing newsprint from waste paper. "Import norms were recently changed and import duty increased. Profitability is now a big question," he adds.



MITTAL: *New units are unviable*

soar to 10.20 lt.

Even these estimates may be overly conservative. The ICICI study itself points out that the actual deficit by 1995-96 "may range between 2.1 lt and 3.95 lt." Reasons: some creamwove paper could be diverted to produce newsprint, and small mills that use waste paper could run short of the raw material.

Not surprisingly, the industry's big daddies are continuing to bolster capacity — through the takeover route. Already, Bilt has acquired four units and recently decided to go ahead and take over the ailing Rayalseema Paper Mills after initially backing out of the takeover proposal. Straw Products too will hit the takeover trail. Says president Jain: "We will expand by acquiring sick units. We are in the process of taking over Central Pulp with a capacity of 40,000 tonnes."

If paper manufacturers are taking over sick mills, it's because it's far too expensive to put up a new paper plant. A 33,000 tonne plant would cost at least Rs 100 crore, according to some industry estimates. "At present product prices, any new unit would become unviable," argues Aurangabad Paper executive director Badal Mittal. Quick calculations show that just the interest burden on each tonne of paper produced would work out to around Rs 11,000 — the average factory gate price of paper is roughly Rs 15,000 a tonne. "How does one cover the raw material and conversion cost?" asks Jain of Straw Products.

The future of the industry's 325 units is, however, clouded by the impending shortage of raw materials. Paper mills fall into three categories: wood-based, agro residue-based, and waste paper-based. Large quantities of bagasse are not available because sugar mills use bagasse as a fuel to run boilers, waste paper is scarce and mills don't get enough wood even now. The industry will need about 32 lakh tonnes of wood by 1995-96, but much less is expected to be available to it by then. Notes the ICICI report: "Already, units in Kerala, Andhra Pradesh and Karnataka face severe raw material shortages."

Paper men, of course, throw the ball into the government's court. "The government has to ensure the availability of raw materials and we will ensure enough production to meet the demand," says Raina of Bilt. Adds Nath Paper's Kagliwal: "The government has to come forward and formulate consistent policies."

The government of course has done no such thing. Incredibly, it's been working on a paper industry policy for almost five years, but the policy has yet to see the light of day. Quite clearly, it's papering over the industry's problems — even as mills face yet another industry downswing.

□ Shashi Shekhar
(With reports from D.N. Mukerjea in Calcutta.)

Car rental firms get a new lease of life.

BACK ON THE ROAD

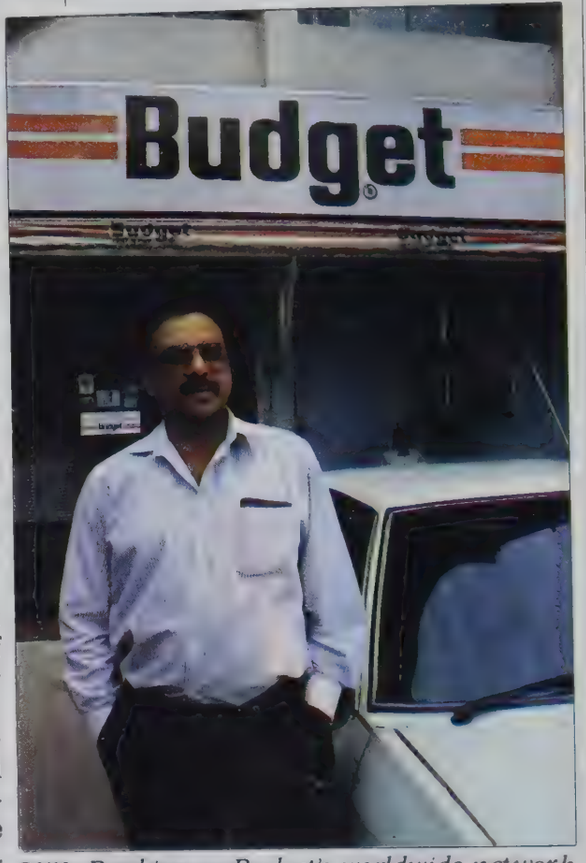
Some three years after international car rental companies drove into India, the business continues to be in turmoil. One of the new enterprises has gone in for a management revamp, the second is up for sale and the head of the third concedes that all car rental enterprises have faced a tough time. So turbulent has the ride been that at least two of the car concerns are moving away from the basic business of renting automobiles to individuals and turning their headlights on leasing cars on a long-term basis to corporations.

That's the bad news. The good news is that the worst seems to be over for the Rs 17 crore fledgling industry. For the first time in three years, Europcar India will break even this year with an annual turnover of Rs 2 crore. And Hertz India, which did not add to its fleet of 350 cars last year, expects to do so in 1992-93. "We have done well and grown in terms of turnover by 50% each year. We have also broken even," says S.K. Warekar, vice-president (projects) of Transport Corp of India (TCI), the franchisee for Hertz in India.

Celebrating the industry's coming revival, a host of leasing and finance concerns are contemplating a foray into the market. "We are entering this market to promote our sales and soon enough a host of others will follow us," says Delhi-based Competent Automobiles managing director Raj Chopra (which also has an associate leasing firm). The capital's largest Maruti car dealer recently got a government permit to operate a fleet of 100 vehicles under the rent-a-car scheme.

Discordant note. Amidst the good news, one discordant note stands out. Industry sources insist that Europcar India — owned by a Dubai-based non-resident Indian Vinod Arora — is on the auction block. Europcar India executive director G. Prithviraj neither confirms nor denies this. Shrugs he: "It is like asking if we are being taken over. All our directors are abroad. We don't always get to know what happens there."

Even so, what seems to lie in Europcar's future is either a complete buy-out or a tieup with a travel agency. Last month, Welcomgroup and Travel House chairman Ashok Bhatia confirmed that the ITC hotel chain's subsidiary Travel House was talking to one of the car rental companies on a takeover. Says he: "We're also looking at other options and may tie up with one of the international car rental companies."



RANA: *Banking on Budget's worldwide network*

Meanwhile, undisputed market leader Hertz India has been revving up for a second go at the fast track. According to industry sources, the Bombay-based enterprise recently overhauled its management. New personnel have been hired to replace the many who've left (some were asked to quit).

Hertz had run into problems, and business rivals claim that TCI — the country's largest truck operator — had not brought the sophistication required to the business. "Hertz India didn't even have proper uniforms for its staff, which is a standard requirement in any international car agency," says the rival. A Hertz official in Bombay admitted that it had, like all car rental outfits, faced problems, but dismissed the other charges.

So why did the international car rental agencies in India shift into low gear? The answer, quite simply, is that the industry ran into roadblocks.

When Hertz, Europcar and Budget Rent-a-Car, another Delhi-based outfit first entered the Indian market, they evidently believed that they would be operating in a seller's lane. The trio set their sights on the lucrative foreign and domestic tourist market. "Since most foreign tourists make their bookings at home before setting out overseas, we were banking on our worldwide network," says Budget Rent-a-Car managing director Ajit Rana.

The foreign tourist, the reasoning went, would be more than willing to rent cars in India, if international car rental firms provided quality service. Some of them even sought tieups with travel agencies so that they could offer an integrated service, complete with hotel bookings, airline reservations and tour itinerary. "That is the advantage that foreign car rental agencies were looking for," says Sita World Travels joint managing director Avinash Anand. Even Sita then looked at the possibility of tying up with one of the car rental concerns.

The car rental firms were convinced that they enjoyed an edge: the internationally popular self-drive schemes. "Everyone thought this would provide a very lucrative market," says Rana.

Wishful thinking. All this proved wishful thinking. Even before they were flagged off, car rental concerns headed for road bumps. In 1989, with the Motor Vehicles Act still to be amended, it was an offence to rent out self-driven cars. Explains Prithviraj: "What could we do? We had little option but to offer chauffeur-driven cars — which pushed up our overheads

considerably," he says.

While the Motor Vehicles Act was later amended, overheads meanwhile shot up. What's more, the self-driving scheme still failed to take off, perhaps because of India's chaotic traffic conditions.

Nor did foreign tourists flock to India. The Mandal-mandir agitation and the general political uncertainty in the country took their toll, as did the Gulf war. "The Romanian ambassador's kidnapping also affected the market," says Rana.

As a result, today foreign tourists account for only 20% of Europcar's annual turnover of Rs 2 crore, 30% of Budget's Rs 6 crore and 40% of Hertz's of Rs 9 crore.

Also, these companies came to India at a time when the car rental concept was unfamiliar to most Indians. As were concepts like the dignity of labour. A classic example of the result of such inhibitions is Europcar's story. Following the example of its parent company, the firm opened its own counter at Delhi's domestic and international airports, paying a total of Rs 6 lakh per annum. Fresh management graduates were hired to run the counter.

What followed was bizarre. When the contract ran out three years down the road, Europcar did not renew it simply because it could not find anyone to stand behind the counter. Admits Prithviraj: "Management graduates found it below their dignity to work at such a counter. Each time they saw someone they knew, they would duck under the table."

To top it all, car prices spiralled, rendering the purchase of new cars uneconomical. Especially for a car rental firm which changes its fleet nearly every 18 months. As TCI's Warekar puts it: "It is not economical to buy a new car until you increase the rates of hire. But, then, taxi owners do not phase out their cars; so their rates continue to be low and there is a limit to the premium we can charge." Currently, car rental firms charge about 10% more than taxi and private operators.

A lifeline. Nevertheless, the government threw a lifeline to car rental concerns last November: a hefty 33% cut in excise for tourist cars. "In a market hit by recession, you could call this a boon in disguise," says Competent Automobiles' Chopra.

Echoing Chopra's sentiments are a host of other companies, leasing firms in particular. As a result of the excise cut, they're in a position to spread their costs over a lower car price. Says Budget's Rana: "So everybody is getting into the business."

More to the point, it has now become more profitable to lease cars to corporations. Enterprises that lease cars demand so-called advance rentals, usually 25% of the vehicle's price. Corporate customers can get tax write-offs for this, and so don't demur. The car leaser then deposits the advance rental in a bank, collects interest on it, and pockets the leasing charges. All this is definitely more profitable than renting cars to individuals on a daily basis.

Leasing is the wave of the future for all car rental firms, and Budget will soon climb on the bandwagon. Europcar India has been doing precisely this for months. In May 1990, it signed an agreement with Maruti Udyog to manage a pool of 800 Maruti air-conditioned (AC) and non-AC cars, on a self-drive basis, at Maruti's factory in Gurgaon. Today, nearly 400 Maruti workers and executives use these cars everyday in two shifts. The scheme is obviously working, for Maruti has renewed the contract for another 18 months. "A time will soon come when companies will realise that it is not their business to run cars. That is where car rental companies such as ours will come in," says Prithviraj.

As competition hots up, Europcar plans to offer a neat package: self-driven cars for workers, chauffeur-driven cars for senior executives and on-the-spot requirements. Even the new entrant, Competent Automobiles, has a profitable gameplan: a security deposit of Rs 50,000 for a Maruti Deluxe, a rent of Rs 5,000 per month for two years and insurance, registration and accident payments all taken care of. The unwritten rule? Selling the car at book value at the end of two years. "In other words you cut the cake and eat it too," says a business rival.

Whatever it is, one thing is clear: car rental firms are going to play a major role in the purchase of cars. In fact, industry sources foresee a time in the near future when car manufacturers will sell cars to the rental firms on the latter's terms. Admits Rana: "Three years ago, a leading car manufacturer in Bombay refused to entertain me when I went to see him about a similar scheme. Today, he is ringing me up himself," says Rana. Agrees Prithviraj: "I expect a day very soon when if I need 100 cars, Maruti will come forward and finance the deal."

The loser in all this will be the individual customer. And as car rental companies take a sharp swerve and cruise down a different road, they're looking to drive into the sunset — at last.



PRITHVIRAJ: *People problem*

□ Mahasweta Ghosh Roy
(With reports from Surajeet Dasgupta in Bombay.)

PSUs: FACING THE PUBLIC

MANOJ PRASHAR



The stage is set for round three. The earlier public sector undertaking (PSU) share disinvestment sorties — to the mutual funds and banks — are over. In the next phase, the government seems determined to stalk the stockmarket directly.

What this means is that the image of PSUs — long perceived as bureaucratic white elephants — has to be given a facelift. In this exercise, some usable inferences may be drawn from privatisations in the mid-eighties of British Telecom (BT) and British Gas (BG). The BT issue in November 1984 increased the number of shareholders in the UK from 1.8 million to 2.3 million. The £1.5 billion collection effort, brought in nearly £7.5 billion worth of subscription.

The Indian stockmarkets keep boasting of a 10 million shareholding population. However, given multiple subscription to issues, a more meaningful investing unit — the household — would probably discount this figure to 2.5-3 million. That is the kind of shareholding membership the most widely-held company can claim. A medium-sized issue (around Rs 50 crore) has a subscription list of no more than 1.5-2 lakh applicants, and that translates to an average subscription of Rs 2,500-3,500, the subscription per allotted applicant being double the amount.

In the current exercise, what is really needed is to address and influence a much larger constituency than is done for a typical medium or large capital issue. This is particularly important since the total quantum of collection by the PSUs in 1992-93 is expected to be around Rs 3,500 crore spread between 20-25 companies. If this disinvestment takes place under the aegis of the department of public enterprises, portfolio packing is a possibility, as was the case in the first phase. If it is through the respective administrative ministries, the likely scenario is a staggered single-company flotation.

The emerging competitive scenario will be an important determinant in the success of individual flotations. No doubt, the state of the stockmarket and the quoting prices of disinvested PSUs will cast their own shadow on the flotation. Somewhat similar was the background to the first-time flotation of BG shares in 1986.

Both BT and BG faced the problem of negative public perception, largely arising from their ownership character. Indian PSUs will also face this hurdle. Another problem will be that of unique profiling. This is not as much as the awareness of area of activity and the earning track record, but the uncertainty the transfer of ownership would cast on each of the entities. What would happen to the high earning per share of State Trading Corp, for instance, without canalisation of imports? Or to CMC without stable government contracts?

Qualitative research in BT and BG had established that corporate image would be a major determinant in investment. In India, investor surveys have suggested that investors perceive government ownership a major reassuring factor in the 'safety' of the investment. But that is for debentures. What is good for the goose — PSU bonds — may not be good for the gander — the equity investment. Safety may well be perceived to correlate negatively with expected returns.

> *What is needed is to address a much larger constituency than is done for a typical medium or large capital issue*

The BG campaign also confronted a number of questions with respect to long-term prospects — would the gas run out in the near future? The company took the tack of presenting the 'unseen face' — the nature and scale of its operations followed with the information about its commercial success. BG was supplying 58% of domestic heat energy and had a 33% marketshare (in 1985). Eventually the case was built of a strong past translating into a better future.

Back to our own PSUs, Steel Authority of India Ltd (Sail) may not be a hot scrip — but can one imagine the cost of setting up that kind of competitive capacity in present value terms? The replacement-cost logic is a key factor in explaining the sky-high price/earning ratios in today's market. And what could be Sail's potential earnings with a 5% increase in capacity utilisation? The focus, therefore, has to be the efficiency benefits anticipated through the disinvestment process.

As the promotional effort moves through announcement, information and countdown phases, it will have to meet specific targets of reducing the confusion generated by the current media activity, triggering enthusiasm and motivating subscription, projecting the changes as structural to our economic system and making it simple for the uninitiated to understand.

The BG campaign actually quantified the favourable shifts in awareness and attitudes through a systematic research effort. It cleverly crafted a character of Sid (metaphor for the general public) that ran episodically from one phase of the campaign to another ("if you see Sid, tell him!"). Obviously, we need to go beyond our trite and run-of-the-mill public issue campaigns. The success of wide public participation is important not only in meeting the immediate fiscal targets, but also in addressing long-term strategic economic objectives. This is a golden opportunity in the history of our capital markets. Let's not blow it.

• *The author is a credit risk analyst who was part of the team that advised the government on PSU equity valuation.*

■ The Union government has decided to cut down the number of its directors on the board of public sector undertakings (**PSUs**) to the minimum. At least one-third of the members on the boards of PSUs will be outsiders.

■ The Food & Agricultural Organisation (**FAO**), has recommended the establishment of industrial parks in India for the food processing sector so that a consortium approach could be taken on production, distribution and effective use of waste materials.

■ The Estimates Committee of the Lok Sabha has called for an annual upward adjustment of the **minimum taxable income** to account for the rising inflation rate and increased cost of living. In its tenth report on the Central Board for Direct Taxes (CBDT) presented to the Lok Sabha the committee was of the view that the present limit was 'unrealistic.'

■ The government is chalking out an exit policy for small-scale industries (**SSIs**) to free more than Rs 2,500 crore of investments locked up in sick units, according to minister of state for industry P.J. Kurien.



KURIEN: *New policy*

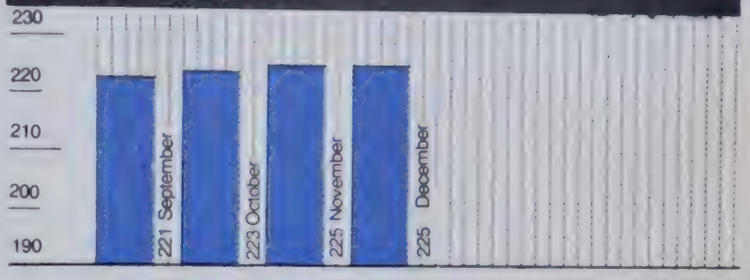
■ **Steel production** is expected to receive a setback during the eighth plan period in the absence of adequate investment on the development of iron ore mines during this period.

■ The government has decided in principle to allow the development of discovered **oil** and **gas fields** by private sector and foreign companies, says *The Economic Times*. The finance ministry has given its consent to the proposal, which is now being sent to the Cabinet Committee on Political Affairs.

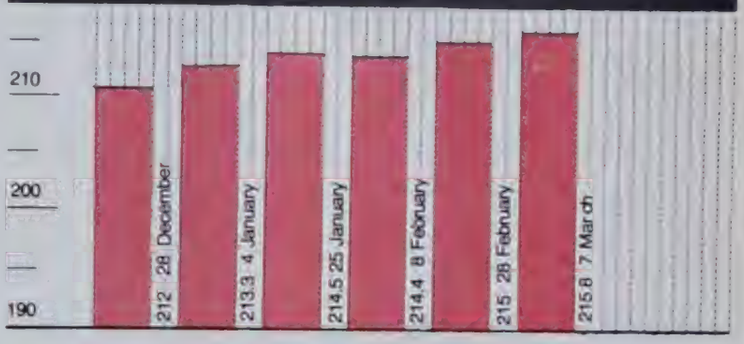
Foreign Exchange Rates (Spot) 1992

	23 March (Rs)
One P. Sterling	44.08
One US Dollar	25.83
One D. Mark	15.41
One hundred J. Yen	19.20
One Saudi Riyal	8.23
One Kuwaiti Dinar	103.08

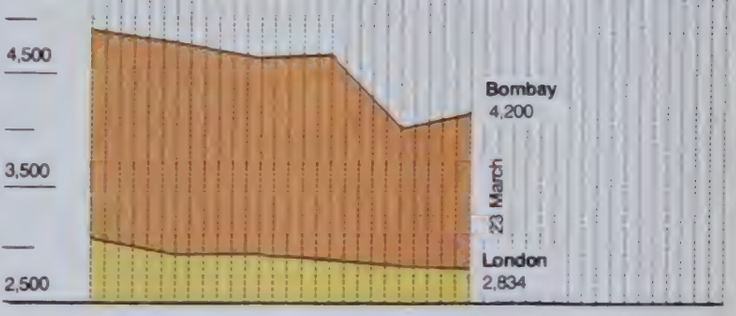
Consumer Price Index for Industrial Workers (1981-82 = 100) 1991



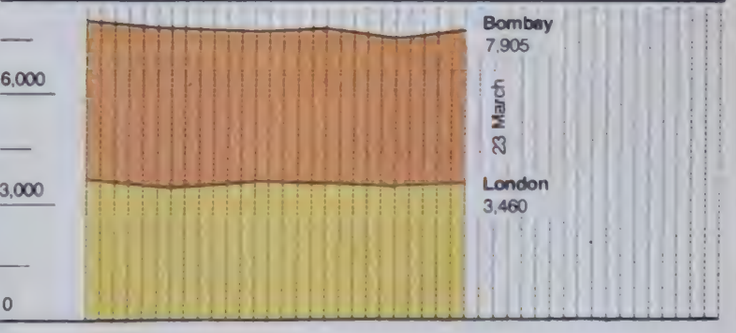
Wholesale Price Index (1981-82 = 100) 1992



Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)



"WHY BLAME ONLY PSUs"

The process of structural adjustment is all set to face its first summer of discontent. As the costs of remoulding the Indian economy are making their inevitable appearance, labour leaders are worried that these costs may not be shared equally. It is their constituency — the working class — that will eventually be forced to bear the brunt. Unfortunately, the government has shown a clear preference for an Orwellian shroud of secrecy rather than for initiating a public debate on these matters. Take, for example, the current confusion over the exit policy. The result: more heat than light. This closed attitude has only enhanced the fears of labour. With good reason.

To understand the labour viewpoint, BusinessWorld's *Niranjan Rajadhyaksha had an hour-long conversation with trade unionist D. Thankappan on the controversial issues of privatisation, the exit policy and the role of trade unions in the new times. One of the moving spirits behind the takeover of Kamani Tubes by a workers' co-operative, which set the ball of industrial democracy rolling in India, Thankappan is now trying to institutionalise this movement through his new baby, the Centre for Workers Management. Among the companies that he plans to take along the Kamani road are Mafatlal Engineering, IAEC (India) and Hoist-O-Mech. As forthright as ever, Thankappan's views on a whole range of issues are encapsulated in these excerpts.*



■ Are the current trends in economic policy representative of the interests of all sections of society?

I definitely wouldn't say so. To understand what it is all about, one must try to understand the evolution of the current dispensation. It is a situational response of the government at a time when the balance of payments position was desperate. Once the government decided to go along this path, it fell into the trap laid out by Western interests. They had been waiting for this opportunity for years. With their economies in recession, they are very keen on India. Now they have their chance.

■ But was a "soft option" available to the government?

That is difficult to say. I doubt whether another political party would have done any different. I know it is very easy to criticise a particular set of people. That's why, as I said earlier, it is the situation that is important. Like the Pathan moneylenders who fleeced the workers, the International Monetary Fund and the World Bank have understood this and grasped the realities of the Indian situation very well. They are using it to the advantage of the Western world. Look at this privatisation business which everyone is blindly talking about. What has been the record in Latin America? Or in Europe, for that matter. Experience has shown that privatisation has not improved the services offered to consumers either in terms of quality or price.

■ What are the other pitfalls of the privatisation process?

The Indian public sector is rich in assets. Its net worth is today estimated at Rs 1,00,000 crore. There is a very real threat that these will be plundered by private investors. And the politicians will just look on. See what happened at Dalla, where the cement plant was sold by the Uttar Pradesh government for a song. Such things should not be allowed to happen.

■ Hasn't the current crisis situation been created by the failure of past policies?

I'm not saying everything was rosy. Of course, there were mistakes. The country was being drowned in debt both internal and external. To that ex

tent the economy was failing. But inefficiency has been the bane of the entire economy. Why blame only the public sector, as is being done currently? Besides, it has had to bear the burden of social subsidies and concessions. Even without these responsibilities, has the performance of the private sector as a whole been any better? In 1987, according to official estimates, there were 2.42 lakh sick enterprises in India. Today, I estimate the number at 4 lakh. Is this efficiency?

The problem, as I have kept on insisting, is bureaucratisation. The key is the lack of operational freedom. Otherwise, public enterprises would have done much better. Even now they can be made more efficient. The government wants to raise Rs 2,500 crore through divestment. My point is, if the efficiency of public sector units is raised by 5%, the government can earn Rs 5,000 crore.

■ Despite this, some units will have to be closed. Does the proposed National Renewal Fund provide an adequate safety net for displaced workers?

They say that the Fund will be used to retrain and redeploy displaced labour. One must not take these statements at face value. Remember that as recently as July 1991, when the new industrial policy was unveiled, the government denied it had any plans for an exit poliy. I think the main aim of the National Renewal Fund is to provide the so-called golden handshakes. If things go unchallenged, there are bound to be retrenchments. Employees are being exposed to psychological terror.

■ What alternative mode of action would you suggest?

My own estimate is that Rs 15,000 crore will eventually be required for these golden handshakes. If such quantities of money is available, why not invest it in the enterprises concerned and improve their efficiency? The entire economy will benefit. Take the National Textile Corp. To lay off 1.5 lakh workers will require a minimum Rs 1,000 crore. With this money, most of the mills can be revived.

■ Yet, some closures are inevitable. There is a view that workers will be better off with an official exit policy, where they are expected to have first preference in the payment of dues if a company goes bust. Currently, sick units languish for years without the dues of the workers being paid. Why then are trade unions opposed to an exit policy?

The viewpoint mentioned is just an impression that employers want to give. They want to show that they are concerned about the welfare of ordinary people and the interests of the affected workers. That only the unions are hindering them. If this is so, why is it that every time the Board for Industrial & Financial Reconstruction (BIFR) orders the liquidation of a company, it is the owners who inevitably go to court challenging the judgement?

■ Why?



Because what these people want is unhindered freedom to plunder a company of its assets. Such asset-stripping is already taking place. It will only increase. The promoters are not the only ones with a stake in a company, whatever be their views on this matter. There are other interested parties as well. Even the supreme court has accepted this principle. In 1983 the court had opined that when a company is wound up, the workers must have a right to intervene. According to the court, while investors spread their investments over many companies, workers invest their labour in only one company. Besides, there are salary dues and provident fund monies which are also investments. So the stake of the workers is much bigger. Recently, in a case in which our Centre for Workers Management was involved, the Allahabad high court gave a similar judgement. So, even the courts are increasingly accepting this reality.

■ What about the stake of the institutions and banks?

Even their stakes are substantial. But many times the bankers are hand-in-glove with the managements. In 99% of the cases of mismanagement, they are involved, either directly or indirectly. I know of many cases where even the assets which have been pledged to the banks have been sold off. And the bankers have looked the other way.

■ Since there are such conflicts of interests during industrial closures, what do you think should be the role of independent agencies like the BIFR?

The BIFR is one of the least corrupt institutions in this country. Unfortunately, it does not have enough powers. It should be armed with adequate statutory powers. Currently, it has powers to only declare a unit sick or wind it up. Or else appoint its nominee on the board of directors.

More needs to be done. Reliefs and concessions are a feature of any rehabilitation plan. The BIFR should be allowed to help revive a unit. And its orders for this should be binding on the banks and financial institutions. A stronger BIFR will be a great help in improving the performance of the industrial sector.

The BIFR is one of the least corrupt institutions. Unfortunately, it does not have enough powers

■ What role do you feel trade unions should play in the coming years?

I have constantly been arguing that trade unions should depart from their traditional role and evolve strategies to propose alternatives. Simply opposing for the sake of opposing has tremendous limitations. They have to come up with new ways of doing things.

I am of the view that the workers movement is in an ideal position to effectively intervene with concrete alternatives. But, of course, it has to be united.

The situation is fast changing. Every month will see turmoil. If the traditional leaders do not change their ways, the workers will force them to. Otherwise, they will be thrown out. I am sure they will choose the first alternative.

Aditya Birla's Grasim has set its sights even higher.

BIG PLANS

One bright morning in February newspaper readers woke up to an uncharacteristically loud statement from Aditya Birla's mammoth flagship — Grasim Industries — drawing attention to yet another expansion in its viscose staple fibre (VSF) manufacturing capacity. But the figures warranted the noise. With international prices of VSF hovering around $1,700 per tonne (Rs 49,000) against a domestic selling price of Rs 38,000 per tonne, even a 1 tonne per day (tpd) expansion aimed at the export markets could mean an additional post-tax profit of at least Rs 26 lakh per annum.

And Grasim's sights are set much higher. Company sources insist that they could perhaps eventually manage a 100 tpd (the official figure is 75 tpd) export capacity for which market seeding activities have already commenced from July-August 1991. The end of the current financial year could well see Grasim's total VSF exports in the region of 3,000 tonnes. That would translate into a respectable Rs 10 crore-plus additional export turnover — or in more glowing terms a 100%-plus growth in the relatively modest figure notched up in 1990-91.

But the real boom on the export front will undoubtedly take place in 1992-93. Back-of-the-envelope calculations suggest that even with a 75 tpd capacity, Grasim's export turnover for the coming year could scale the Rs 125 crore mark and export profits after tax would comfortably nudge the Rs 25 crore level, thus pushing profits available for appropriation from an expected Rs 200 crore for the current year to well past Rs 250 crore if existing distribution policies are maintained.

Birla's amazing track record with his international companies (see box) serves to underscore the potential of VSF in the export markets. His two VSF outfits — Thai Rayon & PT Indo Bharat — reportedly sold over 21,000 tonnes of VSF in the international markets in 1991-92. Moving quickly from the southeast Asian markets, the Birla ventures seem on course to a greater presence in western Europe. Says Grasim president Indu Parekh: "We can easily export 1,000-1,500 tonnes of fibre without affecting the Indian market. We intend to export an increasing quantity to meet international demand not only in the Far East which is a good market but also to Europe, the US and Egypt."

The circumstances seem more fortuitous today than ever before for VSF makers. First is the increasing global cotton shortage. This has been accompanied by a discernible shift in consumer preferences for natural fibres. Simultaneously, environment-conscious western nations are gradually phasing out VSF production. And the stage is set for VSF prices to go on an extended upswing.

VSF exports were actually always possible. But exporting VSF has never quite been encouraged because of the impact it could have had on domestic cotton prices and, thus, the fortunes of India's pampered textile magnates.

But the rather compelling circumstances on the balance of payments (BoP) front appear to have changed all that. Even Grasim's little competitor — SI Viscose — has rumouredly been shopping around in Europe for a secondhand plant to move to India and produce exclusively for the export market. That, of course, is not a route Grasim will be selecting. "Our engineering divisions at Nagda provide us with the capacity to make a plant of the latest standards," says Parekh.

The hassles could actually arise on another front — raw material supplies. Some time back, environmental activists succeeded in getting the Karnataka government



BIRLA: *More in the pipeline*

to opt out of its partnership in Grasim's joint sector Karnataka Pulpwoods. The liquidation of Karnataka Pulpwoods notwithstanding, Grasim's farm forestry project has taken off in an attempt to provide a feasible alternative. "Tying up with Nabard (National Bank for Agriculture & Rural Development) for the financing, Grasim has been attempting to get eucalyptus and other pulpwood trees planted by farmers on marginal wastelands and is now campaigning hard to get the government to allow the use of all lands for such cultivation," says senior executive president at Grasim's Harihar pulp division Shailendra K. Jain.

"Our search for options is continuous. We are now looking at rubberwood, firewood (which is being burnt now), jute sticks, *mesta*, rice straw and various other raw materials — maybe even bagasse," says Mavoor pulp and staple fibre division senior executive president R.N. Saboo. He emphasises that rayon grade pulp was made out of bamboo in Grasim for the first time in the world.

The R&D activity of the Grasim Forest Research Institute is obviously, therefore, of immense importance to the company. But the fruit of that research may take some time a-coming. Till then, the company might well have to work out alternatives. That could include large-scale import of pulp if the VSF export thrust is to be meaningful.

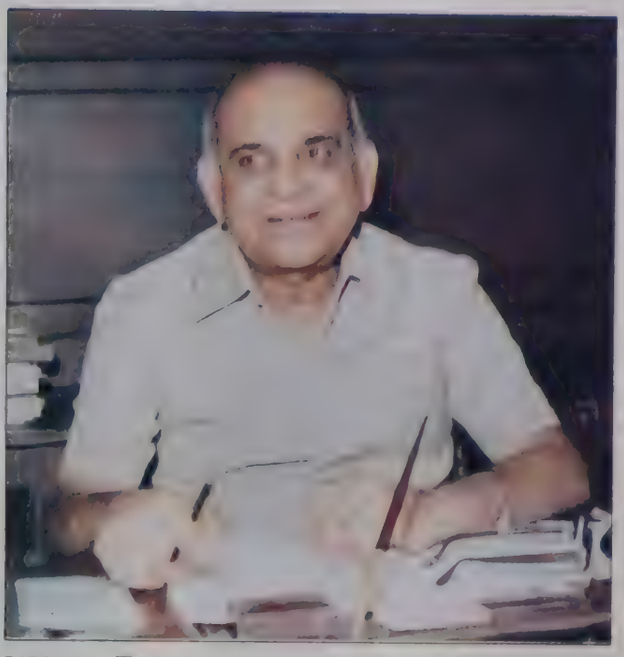
The VSF division which accounted for close to 51% of Grasim's turnover in 1990-91 (see table) will see a not unsubstantial reduction in its share of turnover in the current year. Yet there is little doubt that, with the current phase of capacity expansion, it will continue to remain a core activity. "The focus of our R&D activity in VSF is on improving yields and producing softer fibres," says Parekh.

Despite this pre-eminence in fibres, Grasim has had to remain content with occupying only a niche in the fabrics market. With the structure of the industry and taxation militating against the large sector, Grasim has chosen to work at the very high price end of the market, and its Dornfab & Golden Glade brands have emerged as market leaders.

"Our emphasis has always been on continuously upgrading production technology. For instance, we've gone into using high-speed Nissan air jet looms and decatising machines that give fabric its springy feeling. The attempt is to raise quality and meterage simultaneously," says Grasim textiles division advisor S.B. Agarwal.

Agarwal spells out details of the Rs 20 crore modernisation plan launched three years back and the major restructuring effort that preceded it. "We changed the management because we felt we had probably lost out due to complacency. We brought in new teams both at Gwalior and Bhiwani (where the two textile divisions are located). The new teams brought new ideas and improved marketing policies. We took competition head-on," says Agarwal.

Today, while Bhiwani's Graviera range ends at Rs 125 per metre, Gwalior's Dornfab & Golden Glade operate at the upper end of the marketplace with prices stretching to Rs 800 per metre. "We've brought in flax, silk and linen suitings as well at the highest end of the market and aimed at the high-fashion designerwear segment. Today in synthetics we are market leaders and we are both trend and price setters. In worsted we've introduced offbeat high-fashion designs and we're growing faster than competition," says textiles division joint executive president S.K. Gupta.



PAREKH: *Targeting new export markets*

From textiles, the next logical step is garments. Grasim is in no mood to be left behind. Concentrating first on producing wool-rich fabrics, the company intends to move into the ready-to-wear market with its Masterwear range. An ambitious marketing plan, which aims at a substantially enlarged distribution base, especially in Grasim's traditional strongholds in the north and east, has already been drawn up.

Big things are happening in VSF and fabrics. But they are only part of Grasim's wide range of activities. The current financial year has witnessed another major capacity addition in the company's cement units. The 1 million tonnes per annum (tpa) additional cement production at Jawad (Madhya Pradesh) could add up to Rs 150 crore to propel Grasim's turnover past the Rs 1,500 crore mark for the year ended March 1992. More important, even as cement producers in the south and parts of the west have had to contend with market resistance at high price levels, Grasim's Vikram and Vikram Super seem to have done reasonably well. "That is essentially because we've chosen our market very carefully. We have concentrated in the north where prices and demand have remained firm throughout the year," says senior executive president Mahesh C. Bagrodia.

The enormous confidence gained in the marketplace has, in true Grasim fashion, metamorphosed into even more ambitious plans on the cement front. On the drawing board are two

BAGRODIA: *Well-placed in the marketplace*



"WE ARE NOT A COMPAN

How involved is Aditya Vikram Birla with Grasim really? The grand strategist tends to give himself a certain air of self-assured aloofness when evaluating his company's performance. But first impressions can be very deceptive. Every single Grasim step is carefully planned and orchestrated under his personal guidance. His everyday involvement often means 16-hour workdays. And the seemingly-dispassionate overseeing ensures a rare objectivity of analysis. There is no mistaking the Aditya Birla stamp on everything in Grasim — the quiet confidence that only success breeds is palpable. Birla spoke to BusinessWorld *about strategic directions and future plans. Excerpts from the interview:*

■ On the strategic thinking that has gone into diversification into seemingly unrelated areas — from viscose staple fibre (VSF) to caustic soda, cement and sponge iron, and now refining.

These are all basic to the requirements of the country. For instance, VSF today is basic to clothing requirements.

Take sponge iron, steel and cement. You need them to build a house. Caustic soda is again a basic chemical with requirements spread over a dozen other chemical industries. We cannot go wrong as far as the demand for these is concerned provided we give good quality. And I think our quality is excellent because of tight management controls.

■ On whether the large number of operational areas was because of the availability of licences in certain industries.

Yes, in the past it was true that one was not guided only by his own choice or gut feel; a lot of decisions in this country were taken because licences were available in certain areas. And this was wrong. For instance, high growth took place in the cement industry as a whole because of the fact that it was delicensed. This may have been one of the reasons for expanding in cement. If the industry was deregulated, maybe we'd have gone into sponge iron much earlier.

■ On the refinery project.

The refinery project has been subject to a lot of bureaucratic delays. The memorandum of understanding was signed four years back and it has been hanging fire for God knows what reason — some permission, some clearance here or there. We have created systems that have gone out of control.

But petrochemicals or refining is again a core industry that governs industrial development. In a country that is importing oil, we will save Rs 350 crore of forex per year in this project (Mangalore Refinery). And there is already a demand for the product. There are not many players in this country who will put up such a mega project in any case.



■ On the growth in VSF.

We are embarking on a massive expansion of Grasim by virtually 75 tonnes per day (tpd) in its VSF division. And this is in response to the liberalised policy to earn more forex. Our production will be in the market within a year's time. We are entrenching ourselves and investing to substantially increase production capabilities. In effect, it'll be like an export-oriented unit (EOU) because we'll be exporting most of the added production from this expansion.

■ On why all these activities are different divisions of Grasim and not spun off into separate companies.

These divisions are all profit centres. We have found that it works extremely effectively. We have followed the same concept with stunning success in southeast Asia.

The organisational structure or culture in Grasim — the systems of reporting and unit-wise autonomy — that has evolved is in the company's best interests and is the reason for our success. Spinning off separate companies is not possible for various reasons — cash flow, tax considerations. Not for a long time anyway. But if a company such as ours is to take on a large new project, then it has to debate whether to do it as a division or as a corporate entity in which it would have shares. Then it depends on size of project, tax situation, cash flow etc. (The idea of Grasim merging with Indian Rayon has never ever occurred to me.)

We have within Grasim itself two weaving divisions marketing their products under two distinct brandnames — Gwalior Suiting and Graviera. You must understand this concept of each decentralised unit fending for itself.

■ On the reasons for the timely implementation of projects.

Good project implementation has several aspects to it. We get the best technology available, we pick the outstanding technical people in that industry to join us or we train our own people at their plants (engineers, even workers). We are able to get a total commitment from

ITHOUT A SOUL"

them. We are not a company without a soul. Each individual president is literally the chairman of that unit. It (the project) is his baby. Then, the format of reporting on each activity pinpoints the reason for any hiccup or delay and we quickly correct it.

The philosophy of our group is to keep on modernising, updating, debottlenecking, cost cutting, increasing production (including capacities) by technological improvements. This is what we enjoy. Running a plant day in and day out in the same manner gives one no joy.

■ On whether the emphasis on the chemical industry is because he is a chemical engineer.

I feel more comfortable with chemical plants. I probably equate better. The group has strengths in this field. But my contribution is really that of imparting entrepreneurship, leadership and direction and enthusing people and encouraging them to work as a team.

As a chemical engineer, if I'd have used too much of my expertise, the group would perhaps have gone bust by now. But one great advantage of my technical background is that no one can bluff me. I certainly know what's happening.

■ On the future in cement — will Grasim be the biggest player soon?

We are putting up two new 1 million tonne cement plants. I have no such grandiose ambitions (of being the largest manufacturer). I'm told we are quite large, but how we compare in size with others doesn't matter to me. Whatever we run should be run efficiently. I'd like to feel that the units with which I'm involved should be run at excellent capacities and should produce quality.

■ On the plan to set up a steel plant.

We are preparing the full plan for a downstream steel plant. We are holding discussions with various machinery suppliers and engineering firms and hope to finalise them (the orders) shortly. In another three months I'll be ready to give figures — not now. It'll be a big investment but I don't agree that Grasim will become a steel company. It will just be a well-diversified company. My philosophy is precisely this — a company should be well-diversified so that the cyclical ups and downs of each industry will not hit it very sharply.

After the refinery we'll go in for a petrochemical unit.

■ On dealing with the government with reference to Mangalore Refinery (how Grasim succeeded while the Tatas lost out in Karnal).

As far as Mangalore Refinery goes, you'd be surprised that I never went to Delhi to meet anyone. I have great regard for politicians and bureaucrats, but we were awarded the refinery on the basis of the presentation that we made. Hopefully, once the project goes on stream, you will see the merits of the idea of having a joint sector venture like this. A joint sector company is culturally and in management style quite different from a private sector company. You have to blend the talents of both and yet avoid the weaknesses.



One great advantage of my technical background is that no one can bluff me. I certainly know what's happening

■ On the attitude towards the government — cooperation or confrontation.

Look, one must enjoy doing one's job. If not, it's better to just leave it. Confrontation doesn't get you anywhere. I have the whole world in which I can put up industries. I have no compulsions that I must limit my activities to a particular country. So I do not need to beg or influence anyone. All over the world if we are doing business, it is on the strength of our management and people. Not on the basis of talking to the governments.

■ On his success abroad making it easy for him to enter the international capital markets for funds.

It is very easy for me. I have no problem in selling shares abroad. Today, if I put up a new venture in any southeast Asian country, I would have requests for 10 times the capital that I have to float. It is a difficult job for me to allot capital. We don't sell — we allot. Whenever Grasim wants to raise capital abroad, we can. Those investors in southeast Asia alone will be happy to take up the whole capital.

But our proposed Euroequity offering ($75 million) will be raised all over — America, Europe etc. It's going to finance part of the cement plant and part of the staple fibre expansion.

■ On being a transnational corporation and the difference in the environment abroad and here.

There are too many rules and regulations and just too much of government in every sphere of activity. Now we're taking conscious steps to break away from the system and I think this government is doing an outstanding and truly remarkable job. In a very short time, phenomenal steps are being taken. But it has to percolate down the line. To change the culture of an industrial organisation takes several months. So to change the culture of a whole country and its government apparatus isn't going to be easy — it'll take time.



AGARWAL: *Taking competition head-on*

more 1 million tpa plants — at Raipur in Madhya Pradesh and at Shambhupura (adjacent to Jawad, but in Rajasthan). "We've gone through with the prospecting, and studies show the Raipur site has limestone reserves that will comfortably sustain a million tonne plant. Even the quality is just right. All the necessary government approvals are in hand. Now it's essentially a matter of zeroing in on the technology," reveals Bagrodia.

That could be a little more time consuming and difficult this time. KHD Humboldt technology, acquired through sister company Cimmco and used in the modernisation of the cement units, has had its share of glitches. Bagrodia admits that "Jawad III has no doubt stabilised, but capacity utilisation is still not quite what we would like it to be. The original collaborators have been contacted. We'll probably have to add some balancing equipment but, by May, we should have attained normal utilisation levels."

Normal capacity utilisation in Grasim vocabulary really translates to 100%-plus, but power availability constraints could also put a spoke in the wheel. Though diesel generation capacity of 12 mw has come on stream to ensure uninterrupted production, the high cost of genset power could mean the company's cement division bottomline comparing unfavourably with either Larsen & Toubro (L&T) or Gujarat Ambuja Cement. Bagrodia, however, is unfazed. He points out: "Ultimately, financial performance depends on the acceptability of your products in the marketplace. Except in Bombay, we are the price leaders in every other market of ours." He goes on to clarify that despite the high cost of genset power, Grasim would compare very favourably both with Gujarat Ambuja and L&T in terms of energy efficiency and input costs.

There is something more going for the cement division. A supreme court judgement in April 1991 that confirmed the non-leviability of cess on limestone mined has not only meant a writing back of over Rs 5 crore into the profit & loss account for 1991-92, but reduced the cost of production of limestone below Rs 29 per tonne during the current year. It seems reasonable enough to expect that Grasim's cement division will end up with a bottomline at least as healthy as its counterparts in the limelight — ACC and Gujarat Ambuja. Industry observers are reasonably certain that a Rs 50 crore addition to profit via the cement route during the current year is inevitable.

The rapid planned growth into cement notwithstanding, Grasim has diverted its energies into sponge iron too. The clockwork efficiency in project execution so typical of the Birla companies has meant that by early October, sponge iron production should commence at the 7.5 lakh tpa plant — Vikram Ispat — being completed near Bombay. After the initial bout of problems in land acquisition, the project's most serious setback came when Gas Authority of India Ltd (Gail) refused to let Grasim handle pipeline laying from Thal. Gail ran into a snafu when the tubes supplied by Rourkela Steel Plant were found not up to the mark. The organisation has now apparently committed that the flow of gas will commence in September 1992.

"Vikram Ispat is the single largest project we have on hand today with an investment of Rs 575 crore. So it's essential that we get everything right," asserts Vikram Ispat executive president L.R. Talwar.

Hot briquetted sponge iron (HBI) has been an extremely well-thought-out diversification, according to industry experts. A substantial expansion in steel-making capacity to ensure that supplies don't lag demand in the nineties has necessitated a move away from the traditional mammoth integrated plant route (with long lead times) to the melting shaft and electric arc furnace (EAF) approach.

It would be a logical extension,

DWARFING THE PARENT

Silently, almost unobserved in India, Grasim has successfully donned the mantle of India's largest, most profitable and fastest-growing transnational corporation. By end-1990, Grasim associates in Thailand, Malaysia, the Philippines and Indonesia notched up a turnover of $730 million (Rs 1,900 crore) and controlled assets of $365 million (Rs 950 crore). Though the figures for the next year are still not available, informed sources suggest that the group's international turnover could well have risen to $850 million (Rs 2,200 crore) — dwarfing the parent rather comfortably.

THE FOREIGN FORAY

($ million)

Company	Product	Total assets	Sales
Thailand			
Indo-Thai Synthetics	Spinning mills	36.38	53.22
Thai Rayon	Viscose fibre	82.46	124.68
Century Textiles	Textiles	11.31	10.76
Thai Carbon Black	Carbon black	28.79	30.38
Thai Polyphosphate	STPP	23.58	34.75
Thai Peroxide	Hydrogen peroxide	15.99	6.56
Thai Acrylic	Acrylic fibre	46.76	25.52
Indonesia			
P.T. Elegant	Yarns	14.41	33.67
P.T. Indo Bharat	Viscose fibre	33.76	78.56
Philippines			
Indo-Phil Textile	Yarn	24.37	24.54
Malaysia			
Pan-Century Edible Oils	Edible oils	46.00	307.34
Total		363.81	729.98

therefore, if Vikram Ispat were to become the springboard to steel-making itself. Bagrodia is rather cagey. "We could probably consider it only once we've mastered sponge iron technology itself and substantially increased capacity which could then be used for steel."

That might well be just round the corner. Talwar confirms that process alterations and equipment re-engineering has in fact raised the capacity of the plant to 7.5 lakh tonnes from the originally designed 6.5 lakh tonnes. "We increased the diameter of the reactor to 5.5 metres to achieve this. I would say the Vikram Ispat team is today quite capable and confident of taking on a doubling of capacity within the next couple of years. It might be feasible to support a 3 lakh tpa steel plant with such an expansion," he says.

In fact, M.N. Dastur & Co are already believed to be working on the feasibility report for a 1 million tpa steel plant based on the sponge iron facility. But initial cost indications in the region of Rs 2,700 crore could prove daunting — even for Grasim — just now at least.

In the meantime, Vikram Ispat's marketing team is being built up. The task at hand is impressive. At current prices, turnover from sponge iron could cross Rs 150 crore in 1992-93 and grow to Rs 400 crore in 1993-94. And intended volumes should not pose too much of a marketing problem. "If you consider that at least 20% of the country's EAF capacity is in Maharashtra and that we will enjoy significant freight advantages in meeting their needs, you will see how well placed we are in the marketplace," observes Bagrodia.

"With devaluation, import curbs and partial convertibility adding to scrap non-availability and raising scrap prices, sponge iron market prospects have only further improved. Moreover, sponge iron is free from tramp elements and is adaptable for continuous charging, leading to better quality and higher productivity of the EAFs. All this will translate into better price realisation eventually," asserts Talwar.

The only worrisome factor, probably, is raw material supply. Banking on pellets from Kudremukh and lumps from Hospet, Vikram Ispat opens itself up to uncertainties on transport which could necessitate larger inventories adding significantly to costs. But Talwar is prepared. Says he: "I suppose we'll have to continuously strive to attain higher production efficiencies. We'll have to conserve natural gas. We'll have to contain fines generation by reducing the number of handling systems."

This gung-ho philosophy is reflected in the discussions on the 3 million tpa Mangalore Refinery project that Grasim is busy implementing in the joint sector with Hindustan Petroleum. Chosen as a partner after a brief presentation on its capabilities, Grasim along with other companies of the Aditya Birla group (Indian Rayon, Hindalco and Indo Gulf Fertilisers) is slated to invest Rs 109 crore (26%) towards the mammoth Rs 418 crore equity of Mangalore Refinery & Petrochemicals. With Rs 109 crore (26%) from Hindustan Petroleum, public participation would bring in Rs 200 crore of equity linked with over Rs 965 crore of debt instruments.

The project, which envisages capabilities of refining both the heavy Bombay High crudes and imported Arabian crudes and using hydrocracker technology, expects to attain a refining configuration most suited to Indian needs. Says Bagrodia: "Given the fact that our demand patterns are so heavily weighted in favour of the middle distillates — HSD and kerosene, particularly — it is essential that we work towards attaining a refining configuration of at least 60% middle distillates."

Considering that the refinery retention pricing scheme, which assumes a 12% per annum post-tax return on net worth, also provides significant incentives on incremental throughput and a product slate weighted in favour of middle distillates, it seems reasonable to expect Grasim's latest diversification bid to outperform all committed profitability projections.

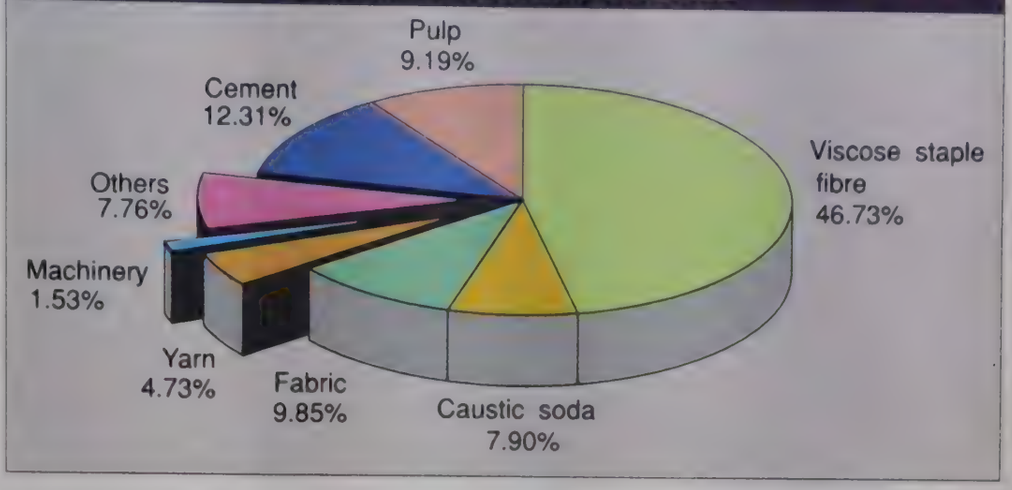
Even as they stand, these projections appear rather impressive. Original number-work suggests that cumulative profit after tax through the first five years of operation could tot up to a stupendous Rs 850 crore-plus. And that should clear the decks for setting up a naphtha cracker and a host of possible downstream projects as well.

There's more in the pipeline: expansions, diversifications and even, believe it or not, a foray into toothpaste. "The philosophy of our group is to keep on modernising, updating, debottlenecking, cost cutting and increasing production," says Birla. "This is what we enjoy. Running a plant day in and day out gives no joy."

With all that he has got on his plate already and the ever-burgeoning new projects, Aditya Vikram Birla must be a happy man.

□ Meenakshi Behara

GRASIM'S PRODUCT PROFILE



JAIN: *Exploring other routes*



- DECCAN HERALD
- PRAJAVANI
- SUDHA
- MAYURA

PRAJ

DECCAN HERALD GI

When 'voice of the people'

20,10,000 people, everything

Prajavani, true to its name, is the voice of the people. The recent National Readership Survey (NRS-IV) confirms this.



Sound Reading

Prajavani, is the No.1 mainline daily in Kannada. It provides a wide coverage of news from both the capital and the state. National and international news share equal prominence. That's why 20,10,000 readers voice their choice for it.

Sound Figures

Prajavani is a formidable power when it comes to reaching Bangalore and Karnataka. 63% of all adult who read Kannada dailies

AVANI

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CERTIFIED
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BY NRS-IV
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GROUP OF PUBLICATIONS
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ead the Prajavani. The cost f reaching a thousand eaders (cost per thousand or PT), is 8 paise. Reaching ne remaining 37% would nean a CPT of 24 paise. So 's true value for money. urthermore, Prajavani's eadership is double that of its closest competitor. Specifically, in Bangalore, its circulation is four times that of the No.2 Kannada daily. Yet, there are more figures: 75% of its readers earn upwards of Rs.1,000 per month. In fact, it is clearly ahead of the competition in every segment of the parameters covered by NRS-IV.

Sound Idea

So if you wish to reach the Kannada reader, reach for the pages of Prajavani. It'll be a sound investment.

THE PACKAGING PROFESSIONAL IS NOW FLEXING ITS MUSCLE

Flex is synonymous with packaging excellence. Having begun operations in 1983, the total investment as on date is approx. Rs. 50 crores and Flex has achieved undisputed leadership in flexible packaging. Flex provides state-of-the-art import substitution packaging systems to suit each type of product. Pioneering achievements of the group include the introduction of re-closeable pouches (for which it won 'India Star' 88 award instituted by Indian Institute of Packaging) and application of holographic techniques to flexible packaging products. Even today the group continues to grow at a rapid pace.

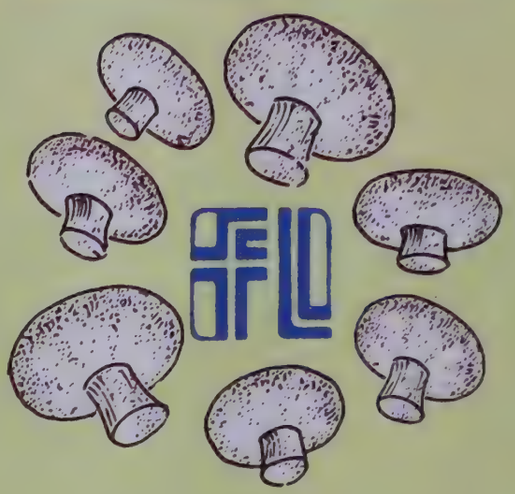
Flex Industries Ltd., the flagship Company of the group, manufactures printed metallized, embossed and coated laminators. The Company entered the capital market in September 1989 and since then its growth is being observed with keen interest. The gross block of the Company has increased by 213% to Rs. 19 crores in just a couple of years. The Company is still not resting on its laurels but is striving not only to maintain its leadership but also to give it a new meaning. It is all set to complete its ambitious expansion project at Malanpur in the same line – "Flexible Packaging". In little over 2 years, the investment by the original investor has appreciated by over 1000%.

Flex Graphic Ltd. and Flex Pouches Pvt. Ltd., are also champions in their respective fields. Flex Graphic Ltd., launched the stand-up pouch and re-closeable pouches for the first time in the country. Flex Pouches Pvt. Ltd., manufactures fully automatic high speed and electronically controlled form fill and seal machines. The new converting machines recently introduced by the company have been well received in the market. Both Companies have a sterling financial track record.

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On a diversification trail, the Flex Group is now promoting a new Company – Flex Foods Ltd., in the priority area of Food Processing. Flex Foods is setting up a 100% **EXPORT ORIENTED UNIT** at Dehradun to manufacture 200 tons per annum of Freeze Dried Fruits and Vegetables and also a modern farm for scientific cultivation of 1520 tons per annum of button mushrooms for captive consumption. Freeze Dried products have a wide global market potential since they retain the flavour, aroma, and nutritive value of the natural products. This new venture is in keeping with the pioneering tradition of the Flex Group.

Now, with the packaging professional flexing its muscle, you know what's there for you. Get ready to take a big bite of our success.

FLEX INDUSTRIES LIMITED

Regd. Office:
M-107, Greater Kailash-II
New Delhi-110048



PRESSMAN

RICE KING

View one: he is one of the hottest businessmen north of the Vindhyas, an uncrowned king of agribusiness. With his feet firmly planted in the soil, he's promoted or taken over a string of ventures in rapid-fire succession: superphosphates, oils, paddy processing and soft drinks bottling, to name a few.

View two: he's a johnny-come-lately who's got where he is due to his friends in high places. The ambitious Sikh is on back-slapping terms with the erstwhile Maharaja of Patiala and now Akali Dal (Kabul) leader Amarinder Singh. Siddhartha Shankar Ray, while he was governor of Punjab, was his tennis partner. And the first formal dinner that the Beant Singh cabinet attended after being sworn in was at his house.

Admire or dismiss him, you might. But you never, never ignore Kewal S. Dhillon.

Kewal who? Dhillon, the Sikh businessman who's little known outside his immediate business circles. Dhillon, the man who rides in a white Mercedes, accompanied by armed guards. Dhillon, one of India's leading rice producers. Churning out 2.4 lakh tonnes of rice every year, his plant has one of the largest installed production capacities in the country.

Ten years ago, the 40-year-old industrialist was just another non-resident Indian (NRI) who'd returned home looking for newer pastures. Today, the industrialist who went to Liberia just after college to join his uncle as a trader is chairman of the Rs 150 crore, six-company Dhillon group of industries.

Since 1982, when he returned home and set up the Dhillon Commercial Complex (DCC) at Chandigarh, this ambitious Jat Sikh has either been putting up or taking over a project a year, on an average. "I entered the corporate arena in 1984. Since then, I have promoted nearly one project every year," says Dhillon proudly.

In 1984, he floated Agro Chem Punjab (ACP) on the Chandigarh-Ambala Road to manufacture single super phosphate and sulphuric acid — both essential inputs for the multi-crop farming practised in Punjab. Next year, he took over the government-run Punjab Agro Rice Bran Extraction Ltd (Parbel) at Ferozepur, a solvent extraction plant that turned out both edible and non-edible oils. Two years later, he followed this up by incorporating a fully integrated paddy-processing complex called Agro Tech India Ltd (ATIL) at Budhewal on the Ludhiana-Chandigarh road. Next was a sally into bottling soft drinks: Dhillon Kool Drinks & Beverages, set up in 1989 to bottle and market Pepsi's aerated drinks in Punjab, Haryana, Himachal Pradesh and Jammu & Kashmir.

Blistering pace. The blistering pace of expansion and growth didn't end here. In 1990, he took over Asharfi Poly Industries to meet the group's captive demand for high density polyethylene (HDPE) bags to pack fertilisers and cattlefeed.

This year, he bagged the Pepsi franchise for Delhi and its adjoining areas,

DHILLON: *Sitting pretty*





Sometimes our association

with a distributor begins while

he is still in school.

Ishwar Prasad Chhawchharia was smitten by the delicious taste of Britannia's range of bakery products in 1926. And took up distribution of Britannia's products in the Eastern region.

Today, there are two generations of Chhawchharias, jointly running Ishwar's original operations: his son Satyanarayan and grandson Suresh. And if Suresh has his way, young Piyush, Ishwar's great-grandson, will step into his shoes a few years from now.

All of Britannia's relationships, whether they are with our own people, our associates or our suppliers, have been nurtured over decades.

Our commitment to building such lasting associations is merely one facet of Britannia that most consumers don't know.

Happily, though, what they know about extremely well is our leadership in bakery products, with over 30 well-known (and much loved) national brands.

A leadership made possible in large part by the special bond that exists between Britannia and its consumers.

Moreover, with our tie-up with the BSN Groupe, the European giant that is home to over a hundred of the world's most famous brands, Britannia now has the added benefit of outstanding expertise in processed foods and beverages.

In the years to come, it is this leadership in foods that we will continue to build on, while continuing to show a keen interest in other areas as well.

Just as we have done for generations.

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TWENTY FIVE YEARS

We earn your trust every day.

thereby emerging the largest Pepsi franchisee in the north. To cater to this territory, he is setting up yet another bottling plant at Panipat in Haryana, which will start functioning this month. The total investment: Rs 20 crore.

Several Punjabi businessmen are flustered by Dhillon, and attribute his booming business to his political connections. Several others dismiss him as a flash in the pan. Says a rival in the rice business who does not wish to be identified: "All these NRIs come and think they own the world. But it's only a temporary euphoria."

Yet, even his harshest critics — of which there's no dearth — can't ignore the rapid rate of growth that Dhillon's companies have displayed in the past four or five years. ACP, the fertiliser plant, reported a modest annual turnover of Rs 9.88 crore in 1988-89. Over the next two years, sales more than doubled to Rs 26 crore — a growth rate of 263%.

Nor is this an isolated instance. ATIL, a joint venture with Punjab Agro Industries Corp, reported sales of Rs 17 crore in 1989-90. Two years later, turnover shot up to Rs 95 crore — an astonishing growth rate of 558%.

What accounts for the rich harvests reaped? "You may call it coincidence but I have always managed to take the right decision at the right time," claims Dhillon proudly.

Dhillon might not be modest, but there is little doubt that he's part of a growing tribe of middle market businessmen (with businesses of about Rs 100-200 crore) who have looked beyond the horizons of small-time trading.

He's certainly not in the same league as large industrial families but, by thinking big, taking advantage of the liberalised policies of the government and through pure dint of hard work, he has firmly climbed to the next rung. "He may not be in the same league as Raunaq Singh. But then, he has been in business only for four or five years," says a business rival.

The arts graduate from SD College in Barnala began as a building materials and electrical equipment trader in far-off Liberia. His uncle already had a business there when Dhillon joined him. In 1969, Dhillon Brothers Corp was floated to handle trading activity for the Liberian government. Within four years, it had become the largest trading house in that country.

Initial forays. A decade later, the political situation in Liberia had changed. Faced with a bleak future, Dhillon returned to his homeland. And like a lot of Punjabi businessmen, he decided to make a foray into theatres and hotels. In fact, though he shies away from it now, Dhillon was one of the largest film distributors in the north.

Not for long. The earthly son of the soil knew that his success story was to be written elsewhere. "My base was agriculture. So I knew if I had to set up any industry, it had to be agro-based," says Dhillon.

That's hardly a surprise. Dhillon's family is part of the landed gentry in Punjab. His father owned about 40-50 acres in Barnala. Old-timers in the area say that the family has in fact acquired thousands of acres. In fact, the sprawling DCC in Mani Majra, on the border of Haryana, runs into about 1 lakh sq ft.

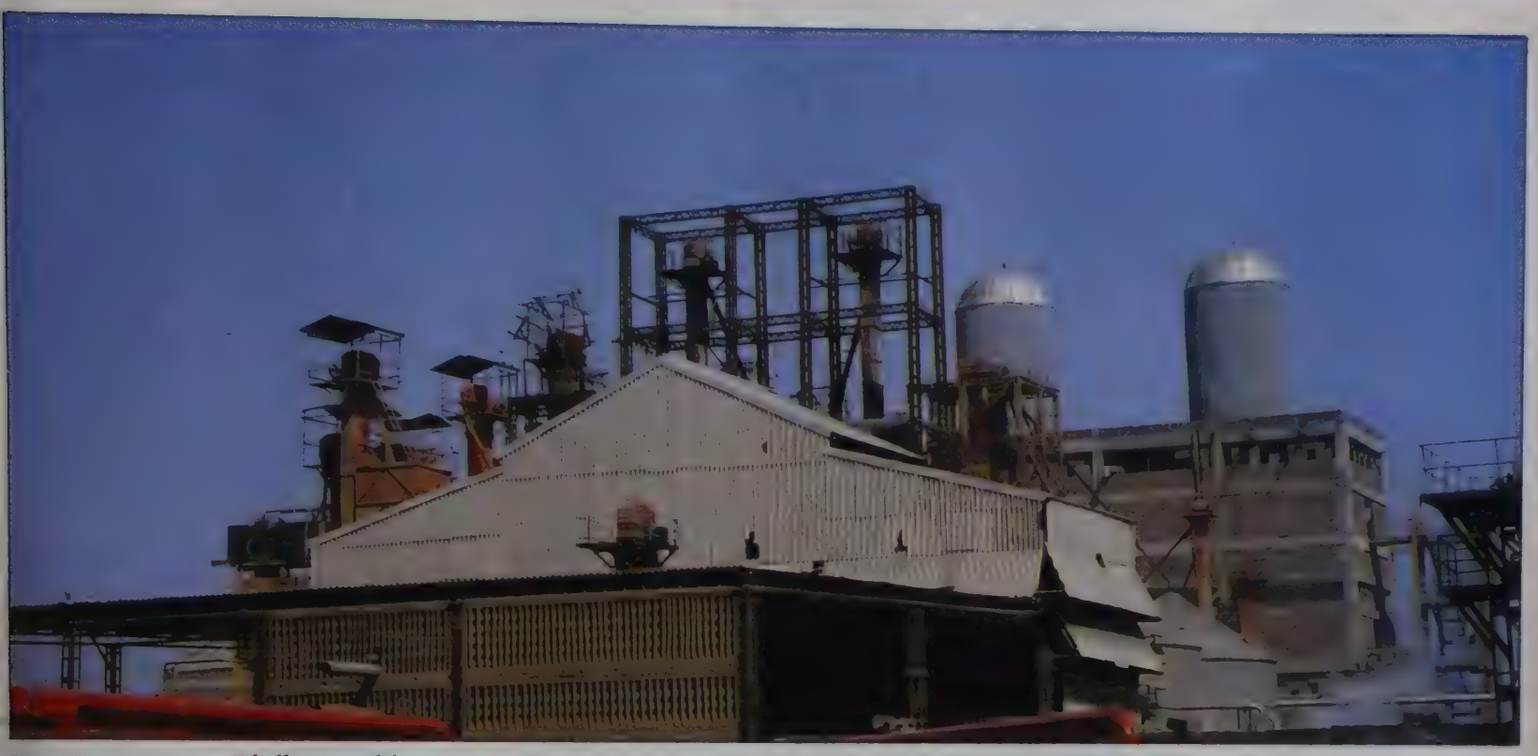
So much so that today Dhillon is well on his way to becoming a rice king, in terms of sheer numbers at least. Industry observers say that ATIL's 800-tonnes-a-day installed capacity is one of the largest in the country, though Dhillon claims it is the biggest in Asia.

To top it all, he's been able to draw on his NRI experience and induct the latest technology in his plant. The dehusking machines are from Schuelle, Germany; the polishing machines are from Thailand and the colour sorters are from the UK. "Today, we can compete with anybody in the world in rice processing," boasts Dhillon in heavily accented English.

One hitch: most of his rice is sold unpackaged. Unlike the competition which has branded its wares (Sohna, Resham, Thapar 444,Gagan), Dhillon has not, quite simply because this requires more investment. Currently, his super basmati brand — Top — is largely meant for export markets. Last month, he exported about 100 tonnes, versus Sohna's 40 tonnes and Gagan's

DHILLON GROUP OF INDUSTRIES: REAPING A RICH HARVEST

COMPANY	PRODUCTS	TURNOVER (1991-92)
AGRO CHEM PUNJAB LTD	PHOSPHATIC FERTILISERS AND SULPHURIC ACID	Rs 26.00 crore
AGRO TECH INDIA LTD	RICE, BASMATI RICE, DEOILED CAKE, REFINED OIL, VANASPATI, CATTLE FEED & RICE BRAN OIL	Rs 95.00 crore
PUNJAB AGRO RICE BRAN & EXTRACTION LTD	RICE BRAN OIL, DEOILED CAKE	Rs 9.63 crore
DHILLON KOOL DRINKS & BEVERAGES LTD	BOTTLING OF AERATED PEPSI DRINKS AND DISTRIBUTION OF PEPSI SNACK FOODS	Rs 15.45 crore
ASHARFI POLY INDUSTRIES (P) LTD	HDPE WOVEN SACKS	Rs 1.08 crore
DHILLON BROTHERS (P) LTD	THEATRE-CUM-COMMERCIAL COMPLEX	Rs 0.20 crore



THE RICE FACTORY: *Dhillon's goldmine*

60 tonnes. Though he might be doing well in the export market, he's no rice baron at home. "Unless he comes into the domestic market with his packaged brand, there is no question of his dominating the scene," says the business rival.

Perhaps not. But then, Dhillon does not want to dominate the market yet. He is currently seized with consolidating his barony and with diversifications in related areas. And he follows three major ground rules: one, the project must be agro-based in order to achieve the greatest synergy; two, it must be in and around Punjab for that is where his roots lie; and, three, each unit should run as a separate profit centre for maximum productivity.

A gambit. So far, these ground rules seem to have paid off. Take Parbel for instance. In 1985, when the state government decided to disinvest, Dhillon stepped in. Reason: if the company was turned around, its edible and non-edible oils would find a ready market: vanaspati and soap manufacturing units.

The first thing that Dhillon did was to keep the factory open 24 hours a day (the government used to shut it at 5 pm). Second, he made the unit an independent profit centre so that the commercial manager could take spot buying and selling decisions. This is important in the highly speculative vanaspati business.

The gambit worked. Company turnover trebled from Rs 3 crore in 1988-89 to Rs 9 crore in 1991-92, and is expected to soar to Rs 15 crore this year. "The second name of business is risk. Unless you take risks, you cannot succeed," confides Dhillon.

Yet risk-taking is only one reason for his success. Another is his distribution network, especially on the highways. In fact, it is largely because of his fine-tuned dealer network that Pepsi's snackfoods have flourished in the north. "Thanks to his strong distribution muscle, Pepsi products are number one in his territory," claims Pepsi Foods general manager (corporate affairs) Neel Chatterjee.

Sometimes his background also stands him in good stead. Hailing from a farming community and largely a trader at heart, Dhillon can feel the pulse of the market. This is something that helped him to integrate backwards into paddy processing. That's how ATIL was spawned. Paddy — the only raw material the project required — was available in a 25 km radius of the mill. "If you explain something to him, he understands and empathises. This makes him a very empathetic decision-maker," says Sandeep Goyal, branch manager at Interact Communications, the agency that handles the group's advertising.

Future plans. The empathetic decision-maker has already made some decisions about the future. In the next couple of years, he will be setting up a large export house in Delhi, on the lines of Tata Exports.

He will also be tying up with a leading US multinational to manufacture citric acid. The food-processing industry constantly requires citric acid, and he aims at filling the vacuum. Finally, he is entering into a long buy-back arrangement with a Gulf company for making tomato paste, a raw material for tomato sauce. Together, the projects involve an investment of nearly Rs 80 crore.

Where will the funds come from? Well, from the money earned abroad when he was an NRI and the proceeds from the acres and acres of land. Of course, the financial institutions will chip in their bit and the listed companies — ACP and ATIL — will also contribute to the equity. Acknowledges a business rival: "His riches go back a few generations. Funds are no problem for him."

Still, rivals may be pardoned if they express scepticism about Dhillon. For, four of his companies are closely-held private concerns, and it's not clear how cash-rich they are since no numbers are available. Then, group profits are modest — Rs 6 crore, on sales of roughly Rs 150 crore.

Yet, as Kewal S. Dhillon sprouts more corporations, one thing is clear: he's sown the seeds of a conglomerate to watch out for in the years ahead.

□ Mahasweta Ghosh Roy

The Godrej group sets out on a different growth route.

NEW DIRECTION

They have spent many a decade behind purdah; the house of Godrej — the largest private sector group in India — has for long sworn by the virtues of being entirely family-owned. But now, at long last, the veil is being lifted a wee bit. Brothers Adi and Nadir, and cousin Jamshyd Godrej, inheritors of the business empire carefully built up by the three brothers Soli, Burjorji and the late Naoroji, are charting out a new route. The nineties are likely to be the years of far-reaching change.

Consider the evidence. In the mid-eighties, there was Godrej's first tentative entry into the public domain in the form of a relatively small Rs 12.5 crore soya milk project — Noble Soya House. Even in this, the exception proved the rule. Noble Soya was a new venture, not an old company with a hoary past as in the case of all the other Godrej companies. Moreover, it had a minority equity participation from the Sheths of Great Eastern Shipping.

It was really when the Noble Soya project ran into trouble that an air of greater adventurousness in the Godrej group started manifesting itself. In an attempt to rescue the loss-making venture, a merger was effected between Noble Soya and Vegoils, a wholly-owned Godrej company, and a new company styled Godrej Foods came into being. Godrej Foods today has a majority (51%) shareholding by the Godrej family, but also a significant amount of public participation.

Thereafter, less than a year down the line after the Noble Soya bailout, evidence of change is coming thick and fast. First, Godrej Soaps is hiving off its Rs 100 crore animal feeds and agri-products business, and a new company, called Godrej Agrovet, is expected to go public in a few months. And, second, much more excitingly, a joint venture with General Electric (GE) is slated to take over Godrej & Boyce's (G&B's) refrigerator business, estimated to have a turnover of Rs 350 crore. The new company will have a 60:40 equity split between Godrej and the US giant.

ADI GODREJ: *Brimming with confidence*



RESTRUCTURING

The prime motive, both in the case of Godrej Agrovet and the proposed new refrigerator company, is a push towards growth in the respective businesses. Independent corporate structures, with more single-minded marketing push and human resource development (HRD) efforts, would allow for clearer "focus" on the business, so runs the argument, as opposed to these businesses being, as currently, part of large conglomerate structures. And also, such restructuring would allow greater money-raising ability, whether from financial institutions or from the markets. Overall, the businesses would improve their abilities to respond to competi-

tion as well as to the opportunities in the marketplace.

Clearly, these are very significant new developments for the Godrej group. And, since most corporate observers regard the group as arch-conservative, such departures are almost revolutionary. But it is also perhaps true that the new thinking in the government about economic and industrial policies has enabled the Godrejs to embark on the path of change sooner than they would have otherwise done. Adi Godrej is candid about admitting that the current restructuring adds up to a landmark change in the 95-year history of the group. But he is also quite categorical in stating that essentially, a degree of conservativeness will remain in the matter of family versus public ownership.

"These developments are the result of some definite decisions taken after the new government came in," says Adi. "We are today convinced that the future will be quite different from the past, and that the changes in government policy will help industry. We had earlier faced difficulties in getting licences because we had remained a private company. This factor will no longer be a constraint. In our restructuring, our two major companies will remain private but, on the other hand, with two major divisions as independent corporate entities, we shall be more flexible."

Godrej points out that the restrictions placed on private companies for obtaining industrial licences had already made the group decide, a few years ago, that major projects in new areas would have to be done with shareholding from the public, wherever necessary. The Noble Soya project was the first such example. Later, in 1989, there was the Rs 109 crore alpha-olefin sulphate (AOS) project undertaken by Gujarat Godrej Innovative Chemicals (GGIC), a joint sector venture with the Gujarat government.

However, Adi Godrej is quite unapologetic about his family's continued insistence in keeping Godrej Soaps and G&B as private companies. "I think our companies have grown more by remaining private than they would have by going public," he says. "If we had a large body of shareholders, they would, perhaps legitimately, have demanded distribution of profits as dividends. But instead of high dividend payouts, we have ploughed back profits into the business, and have sometimes sacrificed margins in order to grow in the market. Today, I feel that our conservatism has been fully vindicated."



JAMSHYD GODREJ: *Eyeing the white goods area*

Adi Godrej's cousin, Jamshyd Godrej, strikes the same note of keeping up a continuity with the past. "I believe that there are a few values which we have stood for, and which we would like to maintain. These are self-dependence, giving customers value for money, and giving them after-sales service; not counting the cost. And ethical standards, both within the company, and in dealing with the world outside. These will continue to be the cornerstones on which we shall build the future."

The public perception of the Godrej group as one of the few business houses in India which stands for ethical standards as well as value and quality for the customer is today strong enough, and there are many who would give them eloquent testimonials of praise. Among those who would not mind even being quoted in this matter is senior banker N. Vaghul, chairman of the Industrial Credit & Investment Corp of India (ICICI), who goes on record to say that the Godrej group is in some respects "a bankers' dream."

"They are financially conservative; they plan their projects carefully, and execute them well; and they even know how to manage their failures," says Vaghul. "The only point is: have they not in the past been too conservative? I feel the Godrej name, which to many consumers is synonymous with quality, has not been exploited to its full potential."

A little bit backhanded though this compliment may be, the Godrej companies today are doing extremely well. The estimated turnover of the group is expected to exceed Rs 1,200 crore in 1991-92, and this unexpectedly large sales figure is today accounted for mainly by the two flagship companies, G&B (Rs 700 crore), and Godrej Soaps (Rs 400-odd crore). The newer companies are still relatively small, and will reach full potential only a few years down the line. It would be worth looking at each of the companies briefly, in turn.



NADIR GODREJ: *Looking after new ventures*

The growth and success story of Godrej Soaps has been a phenomenon mainly of the past seven to 10 years, and has followed upon the expansion of the consumer markets with the advent of television advertising. In the late seventies, Godrej Soaps was virtually a single-brand company in soaps, with Cinthol as the mainstay. Today, in the premium toilet soaps segment, the company has a good three or four brands going strong, some of them with large marketshares, and offering giant Hindustan Lever quite a bit of competition.

Lever's strength is born from its total dominance of the "popular" toilet soaps segment, with its mainstay brand Lifebuoy having virtually no competition. On the other hand, in premium soaps, which is only about a quarter of the total market in terms of tonnage, but a good 40-45% in terms of value, Godrej has given Lever a good run for its money. Cinthol, still the leading Godrej Soaps brand, may have actually overtaken Lever's Liril in the urban markets by about two percentage points to reach 16%. In the overall national market however, Lever's excellent marketing network in rural areas gives it the edge. Nationally, Cinthol is at 17% against Liril's 18%.

Godrej's toilet soaps division, with an estimated Rs 110 crore turnover in 1991-92, is still only about a fifth of Lever's total size. But, by concentrating on the premium segment, Godrej has actually doubled its tonnage (and more) in the past seven years or so, and has come up with a range of brands which have been definite successes — Marvel and Fresca, for instance. Further, there has been "sub-branding" with a number of variants like Cinthol Lime and Cinthol Cologne, besides the traditional Cinthol, or Fresca Cream and Fresca Cool, or again the different, unusual colours in Marvel (lilac and gold, besides the well-accepted white and pink).

Overall, Godrej has managed to maintain a very respectable 18-20% marketshare in premium toilet soaps, and both Adi Godrej and senior vice-president (marketing) Hoshedar K. Press are confident about the future. "There is little doubt that as an underdog compared to Hindustan Lever, it is television advertising which has helped us greatly," says Press. "The potential of the medium was recognised from the beginning, and exploited. Today, at Godrej Soaps, we spend about Rs 7 crore annually on TV ads, and Godrej & Boyce spends another good bit. While TV viewership is dropping with the absence of good serials, we are likely to keep up our ad budgets."

Pre-budget in 1992, there was perhaps some little slowdown in consumer spending, and it was felt that the toilet soaps market would expand at a much more sedate pace of 10% compared to the 30% per annum growth seen in the past few years. Also, there was perhaps a shift in favour of the popular segment as compared to premium toilet soaps in the effort by the average housewife to balance family budgets in the face of inflation. But after the Union budget on 29 February, the proposed changes in direct taxes could well mean more disposable income in the hands of the average taxpayer since tax reliefs on enforced savings may be withdrawn. All this is good news for consumer goods manufacturers, including Godrej.

So far, the recessionary trend this year has certainly hit the Godrej group, as Adi Godrej himself admits. "Interest costs have risen very high," he says. "And it is not that any particular product has been doing badly, but simply that fund constraints have decelerated growth. It is perhaps true that Lever has been less affected, since their large equity base allows for lower financial gearing and less dependence on borrowings compared to us."

The answer to this situation, according to Godrej, is simply a sacrifice

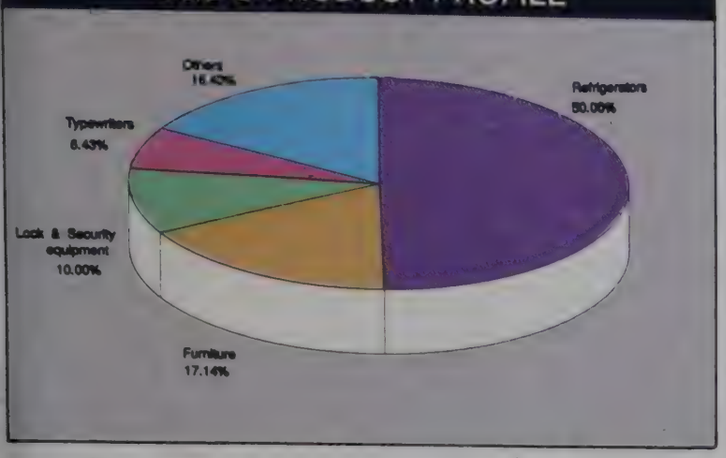
THE GODREJ GROUP'S SIZE & SPREAD

(Rs crore)

Company	Managed by	Activities	Turnover*
Godrej & Boyce	Jamshyd Godrej	Refrigerators,, furniture, locks & security equipment, typewriters etc.	700
Godrej Soaps	Adi Godrej & Nadir Godrej	Toilet soaps, detergents, personal products, chemicals, animal feeds and agro products	410
Godrej Foods	Adi Godrej	Vanaspati, fruit drinks etc.	60
Godrej Properties & Investments	Adi Godrej	Property development	24
Gujarat Godrej Innovative Chemicals	Nadir Godrej	Alpha-olefins sulphate	(Rs 109 crore project under implementation)

Notes (1) The Godrej group remains largely privately owned, and these figures represent best estimates.
(2) The animal feeds & agn business divisions are proposed to be reorganised under Godrej Agrovet.
(3) The property projects will contribute about Rs 24 crore when completed later in 1992.
* Estimates

G&B'S PRODUCT PROFILE



in profits in order to maintain market-share. "This is one of the advantages of being a private company," says Adi Godrej. "I do not have to answer shareholders as to why the bottomline is so much reduced." Nevertheless, post-budget, Godrej must certainly be hoping that the recessionary feeling in the consumer goods market will abate somewhat.

Certainly, market growth is the only key to filling capacities at the new soaps plant at Malanpur, Madhya Pradesh, set up at a cost of around Rs 35 crore. Malanpur can produce 30,000 tonnes per annum (tpa) of soaps and 12,000 tpa of detergent cakes, capacities which are similar to Godrej's Vikhroli (Bombay) plant. With the new capacity going on stream, a great positive factor has been that dependence on a single-location (Vikhroli) plant is today a thing of the past. On the other side of the balance-sheet is the need to fill the new capacity, whether through domestic sales, or exports.

Godrej's exports, so far, have been to Russia, and the economic crisis in that country makes prospects somewhat uncertain. This year, the export target is a relatively very small figure of Rs 10 crore and Adi Godrej speaks of the need to make concerted efforts to sell in general currency areas. The Godrej Soaps top brass cautiously speak of a gradual increase to about Rs 30 crore, but surely that is a rather low figure given the company's size and spread.

In sum, Godrej's soaps manufacturing activity is definitely on an even keel, as is the personal products division with Rs 50 crore in sales (cf Lever's Rs 82 crore in 1990). Godrej is among the market leaders in hair dyes, talcum powders and shaving creams, and has recently started manufacturing shampoos for Velvette. It has also undertaken marketing of Anoop hair oil, which is expected to add Rs 7 or 8 crore in sales.

A disappointing area is in fabric wash products, where Godrej's marketshare is negligibly small, perhaps only an estimated Rs 50 to 60 crore in sales in a Rs 1,400 crore market. Trilo detergent cake, or Key washing powder are not very well-known brands, though Ezee, a detergent liquid for woollens and silk, has established for itself a small niche market. With Nirma and Lever being the big players, Adi Godrej admits that Godrej Soaps does not see itself as a leading marketer of detergents.

Godrej Soaps, like Hindustan Lever, has certain businesses which are logical offshoots — chemicals and animal feeds. Under the proposed restructuring, while the Rs 80 crore chemicals business, which is directly related to soap-making, will remain within the company, the animal feeds business will now form part of Godrej Agrovet. With 3 lakh tonnes (about Rs 90 crore) in sales, the animal feeds business is among the top three in India, the others being National Dairy Development Board (about 6 lakh tonne in sales) and Lipton (3 lakh tonnes). The business continues to see steady growth and, while margins are not high, there is a regular 10 to 11% contribution.

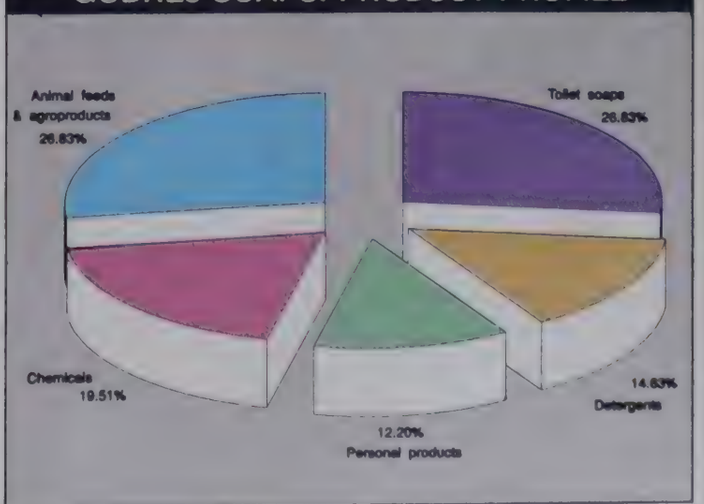
While the soaps and related manufacturing areas under brothers Adi and Nadir Godrej have in the recent past been much more aggressive about catching the public eye through media advertising, the engineering, fabrications and refrigerators businesses of G&B, looked after by cousin Jamshyd Godrej, have grown just as much in the past five or seven years, that is around 20-25% per annum. This year's sales may well touch Rs 700 crore, and G&B is a market leader in each of the segments it is in. Security equipment and locks constitute about 10% of sales, furniture another 15-20%, engineering goods (forklift trucks, etc) about 15%, typewriters 7%, and refrigerators a major 50%. So far always deliberately low-key, G&B's restructuring plan involving the refrigerators division promises to bring it squarely on centrestage.

So far, G&B's thrust has been very much on consolidation of existing product lines as opposed to diversification. Jamshyd Godrej says that it is in line with this philosophy that he started talking about refrigerators technology to GE about a year-and-half ago. "Gradually, the plan for a partnership evolved," he says. "The cash that GE will bring into the new company will help us to grow in new directions."

The directions, according to Jamshyd Godrej, are clear — it is towards a range of white goods, for which, according to him, there is an enormous potential market in India. "Washing machines, for example, is a relatively new business in this country, but has surprised us all by the extent of its growth," he says. "This year, 2 lakh automatic and semi-automatic models, made by eight or 10 manufacturers, are being sold, and the demand seems insatiable. We plan to invest about $100 million in the new company, phased over four to five years, both in the existing refrigerators business, as well as in starting new production lines such as washing machines."

The new GE venture, with a 60:40 equity split in favour of Godrej, is clearly G&B's considered response to the imperatives of growth, as well as

GODREJ SOAPS: PRODUCT PROFILE



the need to shape up to competition in the mainstay fridge business. While Godrej has gained this year at the expense of Kelvinator (mainly because of a strike at the latter's production unit), and has sold some five-and-a-half lakh fridges out of a total of 1.2 million made in this country, aggressive new entrants like Videocon could make the going tough. A new frost-free model, with National technology, is likely to be introduced by Godrej within a month or two, perhaps specifically in response to the Videocon challenge.

While Godrej has chosen to bring in frost-free technology from a Japanese source (as has Videocon), Jamshyd Godrej reveals that G&B chose the US giant for its partnership venture because of a need to share a common global marketing and management programme. The US company was responsive to such a suggestion from G&B, and also about Godrej's needs to expand into other domestic appliances. "Earlier, if we had wanted to branch out into new manufacturing lines, the government would have insisted on our diluting equity," says Jamshyd Godrej. "Under the new economic policy, this is no longer so. We may be a little late in embarking on our expansion plans, but this is no real handicap in the long run. The strengths of our collaboration, our goodwill and our brandname, should help us to make a success in the new products."

GROWTH AREAS

The Godrej group's growth thrust consists mainly of expansion in existing or directly-related businesses (like in fridges, domestic appliances or chemicals under GGIC). Another project which has been talked about for a while is the one for oil palm plantations, which may be undertaken by the new company, Godrej Agrovet, under Nadir Godrej. The capital investment would mainly be in the three or four oil mills, which would cost Rs 20 to 30 crore in a phased manner, to cater to some 50,000 hectares. But it is the land which is in short supply and, certainly, the largest part of the acreage would be under independent small farmers. Full-scale government support is therefore needed and, while promises have been made by the Goa, Maharashtra, and Karnataka governments, the project is still largely on paper.

Relatively much more immediate is the property development projects initiated at Thane, Kalyan and Panvel (on the outskirts of Bombay) by Godrej Properties under Adi Godrej; and the venture into fruit drinks by Godrej Foods under the generic brandname "Jumpin'." "Soya milk was perhaps a good product, but we came in well before the market was prepared for it," says Adi Godrej. "On the other hand, despite the popularity of carbonated drinks, fruit drinks have a steady market, and that is the market we are looking at now. We have a Rs 20 crore target for next year. Also, we hope to do well with products like tomato puree, which are now slated to go national."



PRESS: *No paring ad budgets*

A disappointment for Adi Godrej a couple of years back was the failure of the proposal for a joint venture with Coca-Cola, which ran into difficult weather in Delhi. Now, of course, Coke proposes to come in with Rajan Pillai, but Godrej may still get part of the cake in terms of permission to start a franchise. Talks are going on for such an agreement, to be probably undertaken by Godrej Foods.

The Godrej group's growth in the eighties has been a major event in Indian industry, and this has been achieved despite the restrictions placed on private companies. Expansion of the market in India has certainly helped; but Godrej has been able to take advantage of this because of the professional approach of Jamshyd, Adi and Nadir, their thrift and conservativeness which they have carried over from the elder generation, and their emphasis on intangibles like HRD. All this adds up to impart great long-term advantages.

At the same time, there are some drawbacks. For example, the Godrejs cannot offer professional managers the prospects that (for example) Lever offers — work experience abroad, or ultimately, the top slots in the organisation, since these are already filled in by the family. But, increasingly, with diversification, job-rotation is possible, and the Godrej group has traditionally given considerable responsibilities at an early age to those who prove themselves.

The problems of being a family-owned, closely-held company remain, but looking at the record of growth, the Godrej group has not acquitted itself too badly. Family unity has of course been a great positive factor. The elder generation (S.P., N.P. and B.P. Godrej) were close to each other. Among the inheritors, there is careful division of responsibility, with Adi Godrej looking after Godrej Soaps and the diversification ventures, Nadir Godrej the chemicals business and the new companies (GGIC and Godrej Agrovet), and Jamshyd Godrej having G&B.

Adi Godrej reminisces that when he joined the family business in 1963, G&B had a turnover of Rs 7 crore, and Godrej Soaps Rs 2 crore. Taking into account a correction for inflation, this would mean a size of about Rs 100 crore in current-day terms. Against this, group turnover in 1991-92 is 12 times as much.

"These figures speak for themselves," says Adi Godrej. "We have always had dreams, but today we have a great feeling of success." And it is with this confidence of a job so far well done that the Godrej group embarks on its new growth thrust.

□ Subrata Roy

PAPER WINNER

On 27 March Tribeni Tissues received the only official accolade handed down by the Union government to a company: the National Award for Best Productivity. For the paper industry, despite being dwarfed by confreres like Straw Products, Ballarpur Industries and sister company ITC Bhadrachalam Paperboards, amongst others, midget-sized Tribeni Tissues (1991-92 turnover: Rs 95 crore) has won this coveted award by outperforming all others.

According to the National Productivity Council guidelines, companies in a given manufacturing sector are evaluated on both quantitative and qualitative performance criteria. These range from tonnage capacity utilisation at one end to community development programmes at the other. The jury which turns in its verdict is given the data with company identities disguised. "It is rewarding to be given a pat on the back by the government," says R.P. Agrawal, chairman of the Tribeni Tissues division of ITC. (The company's merger with ITC was recently completed.)



AGRAWAL: *On the go*

Both Agrawal and his boss K.L. Chugh, chairman of ITC, are familiar with this particular award. During the eighties, when they were together at the helm of Hyderabad-based Bhadrachalam Paperboards, the latter created a record of sorts by bagging it year after year. This fledgling company thereby earned for itself a name and fame which lent it credibility. To a certain extent, history has repeated itself at Tribeni, which was limping in 1987-88 when Batco took it over and asked ITC to manage it.

In three years flat, Tribeni Tissues is yielding a pre-tax return on sales of around 15%. And, contrary to popular belief, none of its new-found prosperity can be traced to captive cigarette paper sales to ITC. Agrawal explains that its growth has come from penetrating other speciality segments like insulating paper, laminating grades, magazine printing paper, filter paper, copier paper and bonds. "In some of these, we have successfully created new demand by tapping latent markets," he adds. Incidentally, Tribeni never had a marketing set-up earlier.

At the same time, Rs 20 crore was pumped in by way of capital investment at the 13,500 tonnes per annum (tpa) plant near Calcutta. The focus initially was on modernising the pulp mill and the energy systems, improving plant health and debottlenecking shopfloor operations. Predictably, annual output from the plant's four machines soared to 19,000 tonnes. Shrinkages fell to levels not quite matching the internationally acceptable benchmark of 9%, but nevertheless within striking distance of this figure.

Twin strategy. But, more importantly, the twin strategy of product differentiation and market segmentation helped recast operating philosophies at the factory. Machine usage was finetuned so as to be flexible enough to perform shorter runs efficiently, thereby enabling the company's marketers to cater cost-effectively to the upsegments of the speciality products market. Also, better maintenance of plant and machinery was now possible, upping machine productivity, reducing wastage and keeping quality standards high. Claims Agrawal: "We are the undisputed quality leaders in our product segments and consequently are also the price leaders." Higher realisation meant better profits; the success story was complete.

Right now, the plant is being further upgraded at a capital cost of Rs 75 crore — which the unit can well afford today. In two years, plant capacity will stand at 33,000 tpa. And significantly, this massive capacity hike will be achieved not by installing new machines but solely by rebuilding and modernising the existing ones. Agrawal expects the Tribeni plant to yield 50,000 tonnes of speciality paper annually by 2000 AD. At least, that's his dream.

Agrawal should be able to impart the necessary momentum for this to come true, given that he has got Company Law Board approval for a five-year tenure as wholetime director — a tenure which will take him well into his sixties. Clearly, consolidating Tribeni's operations must also be a priority for Chugh, in close keeping with his avowed intent of taking ITC deeper into core sector areas like paper and edible oils. Together, Chugh and Agrawal make a formidable twosome, and their capabilities ought to be by no means underestimated.

□ Sujoy Gupta

CAMLIN: CHANGING COLOUR

It doesn't wish to stay stationary. Bombay-based Camlin is already one of the key players in the art material and stationery market. It isn't, however, content with its staple diet. The Rs 50-crore turnover company, which celebrated its diamond jubilee last year, now plans to consolidate its presence in the pharmaceuticals segment which it had diversified into in 1984. Says joint managing director Subhash Dandekar: "We wanted to diversify into a non-allied field. As more and more competition comes in, we are losing something, even though it is just a small percentage."



DANDEKAR: *Writing a new story*

Camlin's pharma division manufactures and markets bulk drugs like diloxanide fluorate, mebendazole and diazepam as well as a wide range of formulations. Dandekar has identified certain areas for expansion. "Mostly import substitutes and fine chemicals where there is good potential for exports," he says. "We are also slowly improving formulations for skin diseases, asthma and stomach diseases and are concentrating on these three."

But will the Camlin tag help sell drugs, an area far removed from its traditional lines? Says Dandekar: "On the contrary Camlin has become a household name; there is faith and confidence in the company. This is very essential for drugs that require ethical promotion through doctors." The pharma division currently contributes 7% to the company's turnover and Dandekar wants to up it to 15-20% by 1993-94.

The roots of Camlin can be penned back to 1931 when an outfit styled Dandekar & Co was promoted by the Dandekar family to market Camel ink. Soon other products such as adhesives, stamp pads, school chalk and sealing wax were added to the list. In 1946, the company became Camlin Pvt Ltd. It finally shed the private suffix when it went public in 1988.

Three divisions. Today, the company has three divisions — stationery, art material and pharmaceuticals — which market products under the Camlin and Camel brandnames. The stationery division is again divided into stationery and writing instruments and the art material division into art material and educational instruments.

The stationery division has a wide product range including inks, adhesives, erasers and carbon papers (the last was introduced this January). Says Dandekar: "Apart from the unorganised sector, the major competition comes from Chelpark inks and Kores carbon paper. While the latter is the leader and we still have to establish our market, in inks Camel is the leader in terms of quantity." Dandekar expects to capture at least 10% of the Rs 50 crore carbon paper market in the first year.

In the writing instruments division, trying to make a mark are the Camlin markers and the hi-polymer-lead mechanical pencils. Camlin introduced fluorescent markers just two years back, to complement the permanent marker range of rather more ancient vintage. Says Dandekar: "We want to create awareness about the use of markers. In the next 10 years, I envisage that this will become a very big line." The other new entrant — the mechanical pencil — is being manufactured with knowhow from Pilot Corp of Japan. That too is a product for which a market will have to be developed.

Camlin also has an array of pencils and pens. In pencils, Camlin is No 2 after Hindustan pencils (Natraj brand). In pens and ballpens, however, there are bigger players like Wilson, Geeflo and Reynolds. Says Dandekar: "We are concentrating only on the premium segment."

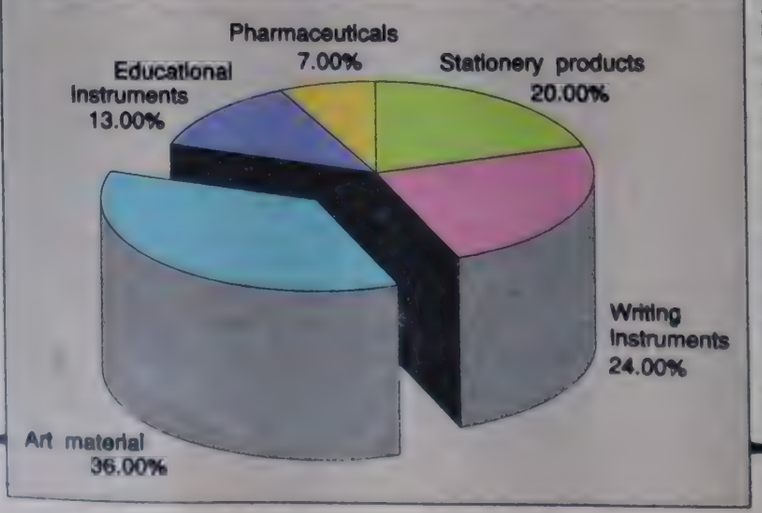
Pencils, pens and their ilk are small fry compared to art material. This division chalks up 36% of turnover and has very little organised competition save from Fevicryl and Apsara. Kores had made a foray in this arena in a tieup with international major Reeves, but it did not come to much.

Another area of strength is the educational instruments division which makes geometry, engineering and dissection instrument boxes. Says Dandekar: "The only other player in the organised sector is Omega. We are the leaders in this segment."

Camlin's major strength lies in its country-wide distribution network. "Our presence can be felt right from Kashmir to Kanyakumari in the literal sense," says Dandekar. He expects a substantial step-up in both turnover (the target for 1992-93 is Rs 60 crore) and profits (which declined last year). Five years down the line, he has designs to "definitely become a Rs 100 crore-plus company." And if the drug sorties work out as planned, it could go even higher.

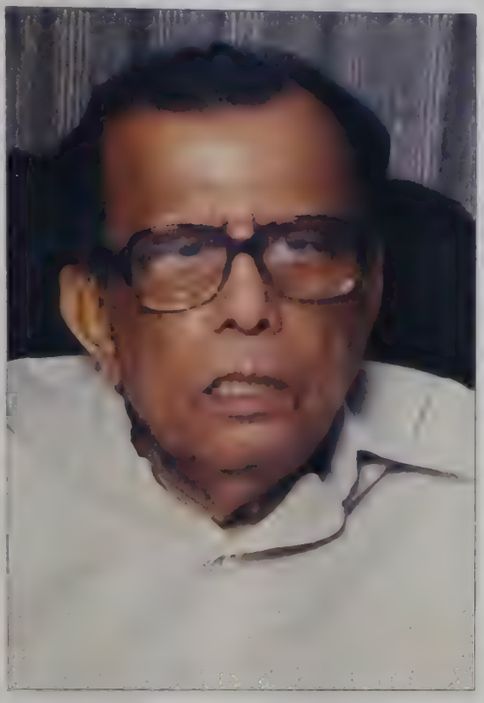
□ Chhaya Balachandran

WHERE CAMLIN'S TURNOVER COMES FROM



JBAC: DIFFERENT TACK

It made a splash in the marketplace with its English Leather range but, unfortunately, soon found itself going under. Today, J.B. Advani & Co (Mysore) is trying to clamber back into the black. And, with its marketing fingers burnt, it is taking a different tack altogether. Says director (development & planning) Ashda Lalvani: "We are actively looking at multinationals for whom we can undertake third-party manufacture of cosmetics and men's toiletries."



LALVANI: *Spreading the risks*

J.B. Advani & Co (JBAC), a J.B. Advani group company, started life in 1947 as a trading outfit. It is still in that business, but the share of trading in turnover has come down to 20%. In 1985, JBAC forayed into manufacturing in a technical tieup with the New Jersey-based MEM Co Inc to make the English Leather range of men's toiletries for the middle-range market. But that never took off.

What went wrong? Why did JBAC fail when the market for men's toiletries is estimated to be growing at a reasonable clip of 10% a year and the likes of Shulton have succeeded? Explains Lalvani: "High import duty on essential oils and the depreciating rupee did all the damage."

Skyrocketing costs. That was but expected. In 1985, when JBAC signed up with MEM, the US dollar was ruling in the Rs 12-13 range. It started its galloping act very soon. Add to that the 200% import duty on essential oils and the 105% excise impost on the final product, and English Leather went for a toss. Says Lalvani: "Imported raw materials and packaging inputs which initially added up to 46% of English Leather's ex-factory price rose to as much as 75%." The result: margins were squeezed to nothing and JBAC slid into the red (accumulated losses stand at Rs 1.89 crore as on 31 March 1991).

In a bid to restore some health to the bottomline, the company decided to utilise its facilities for third-party manufacturing. The first order materialised during July 1991 for making Dreamflower Talc and Sandal Talc for Pond's (India). Says Lalvani: "This order has been singly responsible for turning the company around." Lalvani is, however, cagey about revealing what talc volume his company is turning out for Pond's. "We are supplying large volumes of these two talc varieties to Pond's," he says without elaborating. The comforting point here is that Pond's has left the question of sourcing inputs to JBAC. Says Lalvani: "We have developed in-house fragrances for the talc varieties and Pond's is satisfied. The import content is almost nil."

That does not mean English Leather is a total write-off. JBAC continues to make a small volume of this men's toiletry range, about 5% of the originally-envisaged capacity, for supply to army canteen stores. Says Lalvani: "English Leather now brings in an annual sales revenue of about Rs 60 lakh, but the margin on that is a pittance."

Persisting with the laggard English Leather range could, however, be the right strategy. If import duties are slashed — a distinct possibility — the product could be revived in the marketplace. But its manufacture could anyway be stepped up. Says Lalvani: "MEM is looking at India as a profitable sourcing point for its entire range of men's toiletries — brands such as Musk, Fathom and Timberline, besides English Leather. Thus, English Leather is not out of our future scheme of things."

For the moment, however, all attention is on the tieup with Pond's. This has been responsible for the small profit the company posted during 1990-91, and 1991-92 could see a higher post-tax profit. Says Lalvani: "Our estimate is that for the year ended 31 March 1992 we will be able to post a profit after tax of Rs 70 lakh on a turnover of Rs 15 crore. We hope to wipe out the accumulated losses by 1993-94 and declare the first-ever dividend in that year."

JBAC is also not putting all its eggs in the Pond's basket. The company is holding talks with Hindustan Lever to make the latter's shampoo range, with Colgate-Palmolive to make its shaving cream range and with Wiltech India to make its shaving cream and after-shave ranges. Meanwhile, MEM has asked JBAC to make talc and shampoo varieties for its markets in Asia, Africa and Australia. So Lalvani is busy working on this attractive proposal which will bring in much-needed greenbacks.

For a company that has had a close-shave with sickness, that will be a total face-lift.

□ A.H. Ghani

J.B. ADVANI & CO: FINANCIAL HIGHLIGHTS

(Rs crore)

	6 months ended 30 Sept 91	6 months ended 30 Sept 90	Year ended 31 Mar 91	Year ended 31 Mar 90
Gross revenue	5.28	2.62	5.70	2.71
Gross profit/(loss)	0.30	0.28	0.59	(0.23)
Profit after tax	0.28	0.26	0.56	(0.26)
Equity share capital	1.16	1.16	1.16	1.16
Reserves & surplus*	—	—	0.05	0.05
Accumulated losses	—	—	(1.89)	(2.46)
Earning per share (Rs)	4.83**	4.48**	4.83	(2.24)
Gross margin (%)	5.68	10.69	10.35	(8.49)
Net margin (%)	5.30	9.92	9.82	(9.59)

* Excluding revaluation reserves
** Annualised

SPENCER: PLENTY IN STORE

Last fortnight's signing of a landmark franchise agreement between Mike Smith of Wimpy's, London, and Spencer chairman Sanjiv Goenka marks this 127-year-old Madras-based company's newest quickstep in its hurried foxtrot from the 19th to the 21st century. Franchising, liquor, retailing, compact disc manufacture, information services and more — a whirligig of new business activity has kept Goenka's team on a pirouette ever since Spencer came into the RPG fold two years ago.

Clearly, the company is in a terrible hurry to catch up with the future. RPG Enterprises supervisory board member and Spencer director Sumantra Banerjee avers that "resolving the past" has been one of top management's prime preoccupations: "Status quo was Spencer's corporate style. Just coming to grips with and tackling the numerous unresolved issues inherited from the past have proved to be both delicate and time-consuming."

In 1989, although Spencer was not running at a loss, it was limping along in a sort of penumbral existence. Embroiled in several court cases, facing agency termination notices from more than one principal and saddled with a clutch of separate small and mutually unconnected businesses — from selling air-conditioners to exporting shrimp — the then Rs 30 crore turnover company was barely managing to stay afloat. It could, thanks to the existence of vast tracts of real estate owned in prime urban locations which, though grossly underutilised, enabled subsistence-level earnings. "It was an exceedingly risk-averse company, a rare species," says Banerjee.

Hard knocks. The eighties had seen Spencer take some very hard knocks. A protracted legal battle on the ownership of the Kelvinator brandname led to the snapping of the arrangement under which Spencer marketed these refrigerators all over India. The company found itself saddled with a couple of thousand marketing and servicing people who had no work — and its prime occupation was to remain afloat while funding substantial separation payouts.

In a very rapid fashion, thereafter, Spencer lost several lucrative businesses. One was the sole distributorship of Amul dairy products in south and east India. Another was the distributorship of Mohan Meakin brewery and distillery products. And since Spencer did not have a brand of its own, these losses could not be readily replaced. "Spencer's monumental missed opportunity, I feel, is that despite having such a strong brand equity it never had a product of its own," analyses incumbent president Pradipta Mohapatra, an ex-Dunlop marketing buff who points out that even in the eighties Spencer had neither sales nor marketing personnel in the entire organisation.

At first sight, it seems that Harsh and Sanjiv Goenka were handed over a lemon by erstwhile owners Bhabhas in exchange for Rs 3.6 crore and more of good money. But not so. "We knew that here was a company with tremendous potential," recalls Sanjiv, who subsequently assumed the chairmanship. "We accepted the fact that the ball was in our court to make sure this

THE CHILDREN'S SECTION: *Goodies galore*





MOHAPATRA: *Making up for lost time*

potential is fully utilised." The hop, step and jump routine from yesterday to tomorrow, as it were, is a direct fallout of the owners' determination to "fully utilise" Spencer's business potential.

Banerjee and Mohapatra recall that two strategic key tasks confronted them from day one. The first was to quickly identify, pick up and operationalise a set of lines ("tomorrow's businesses") where the Spencer brand salience could be put to good use; the other was to bring in a culture of risk-taking. "We also needed to attract a set of topnotch professional executives at a time when Spencer was not seen as the hottest company to come and work for," adds Mohapatra.

The story of how franchising, retail and liquor came about as "defined strategic areas" is in itself a fascinating business policy case study. In essence, the top management think-tank looked "very deeply" into the existing organisation to identify existing "talent, skill and infrastructure" lying dormant or wholly unused but with revitalising possibilities. These three businesses stood out for different reasons:

- Liquor, because Spencer has been in liquor distribution for over a century and although the distribution infrastructure was cobwebbed, and many of its businesses in this field were closed, the company still has goodwill left. This Rs 2,500 crore turnover market is growing at a fast-paced 15% per annum. "There are only two major players and space definitely exists for a third," reasons Banerjee.
- Retailing, because this is another growth area and has a "natural fit" with Spencer's real estate value addition opportunities. Says Banerjee: "The option lay between remaining landlords or getting into the retail business."
- Franchising, particularly in foods, because of obvious synergies. Chuckles Mohapatra: "I know all this sounds simple and easy, but it was quite the most difficult of processes." Both liquor and retailing kicked off as per schedule in the course of 1991. Manufacturing tieups with three distilleries and a brewery at Nagpur, Hyderabad, Indore and Bhubaneswar were sewn up, and the first crop of products — Spenceberg and Sixer beer and medium segment whisky Spencer's — was introduced last summer. Regular segment brands of whisky, brandy and rum — spirits which constitute 45% of the Indian made foreign liquor (IMFL) market — are being launched this summer. One more brewery in Maharashtra has also just been acquired. "It is now a question of getting into our own brands," says Mohapatra.

Spencer's retailing activity kicked off — and in great style too — last December. The first of what will be a chain of Spencer Super Stores opened its doors on Bangalore's upmarket, downtown Mahatma Gandhi Road: a vast 8,700 sq ft wholly self-service shop, offering over 12,000 items ranging from a five rupee cake of soap to a Rs 17,000 washing machine. The store was a hit right from the start. "Sales crossed the Rs 1 lakh a day mark in the third week instead of after six months as we had projected," says yuppie, clued-in general manager Harsh Bahadur, who moved from Hindustan Lever to head Spencer's retail and franchise operations.

Largest retailer. Within weeks, Spencer's Super Store rose to become Bangalore's largest retailer. Despite its upmarket location, its positioning has been carefully done to offer "experience shopping" to middle-class families. For instance, it is not air-conditioned and does not have the ambience of a boutique. At the same time, it has broken new ground in

SPENCER PLAZA AT MADRAS: *Shoppers' paradise*





BAHADUR: *Offering 'experience shopping'*

retailing by operating as a fully self-service system, even for items like liquor. One positive fallout: manpower costs are low, with a staff muster of only 52. "But more importantly," explains Bahadur, "this innovation stems from our marketing conviction that the middle-class individual's acquisitive urge is wholly satisfied only in a liberated environment when he is allowed to touch, handle, examine and then left free not to buy — without feeling the guilt of having to tell a salesman that he doesn't want it."

The encouraging lessons from Bangalore will be put to good use at the dazzling 25,000 sq ft Super Store to be opened later this year at Spencer Plaza on Mount Road, Madras. With a carpet area of 1 million sq ft when all phases are complete, Spencer Plaza is doubtless the country's largest single commercial complex: seven storeys replete with an atrium, escalators, a centrally-air-conditioned three-floor shopping mall and parking for 1,000 cars on the ground and second floors, the latter to be reached by car-lifts.

Says Bahadur: "In the ultimate analysis, we are creating a brand not for a product but for a shop. Our aim is to promote Spencer to be synonymous in the mind of the average middle-class householder as a store where he can get value-for-money shopping and where shopping can be an enjoyable family outing." By the end of this year, Spencer Super Stores will be operative in Thiruvananthapuram, Coimbatore and Ernakulam, while several smaller stores shall run at south Indian hill stations and non-metro locations — all on the company's own properties. "In three years, retail division turnover should easily cross Rs 25 crore," predicts Bahadur.

Franchising, also under his charge, has begun with bread in a big way. The present management had inherited a semi-moribund bread business with 22 operating plants. Already Spencer has 39 plants going, with 30 more being signed up in 1992 — at locations as widespread as Maharashtra and Meghalaya. Incidentally, bread is the only branded consumer product bearing the Spencer name. Bahadur is gung-ho on bread franchising: "We will be India's No 2 branded bread, after Modern, within three years."

Quite simply, the winds of change are gusting through Spencer with a ferocity unusual in India's corporate sector. And although it is still a small company (1991-92 sales: around Rs 70 crore), in its selected niches of entry, Spencer is likely to be a significant player. RPG group synergies — witness the tieup on compact discs with HMV — could give it the cutting edge. And in the long term, given its vast real estate holdings (some properties are run as Taj hotels), there is very little that can go seriously amiss. Sums up Banerjee: "If we fail, it could be in the timescale rather than in the achievement, reckoning that the creation of markets may take longer than we anticipate."

And in the months to come, every person buying a loaf of Spencer's bread, or biting into a Wimpy's hamburger, or toasting to Masterpiece whisky, or picking up consumables at a Spencer store would be hastening this market creation process.

□ Sujoy Gupta

EAGLE: SOARING HIGH

The Talegaon (Pune)-based Rs 70-crore-plus Eagle Flask Industries has somehow preferred to stay put in its eyrie for a long while now. Wholly-controlled by the Padamsee family, it has more often than not shied away from the media arclights. But the major in the vacuum flasks market is now getting ready to soar. And diversification is the buzzword with forays into both related and unrelated areas in the offing. Says managing director Naushad Padamsee (who has a 50% stake in the company, with his uncle A.C. Padamsee holding the other 50%): "We are implementing our corporate strategic plan and I'm looking ahead to an era of growth."

Padamsee's gameplan includes:

- A new venture — Eagle Agro Farms — which will produce broilers (chicken) in collaboration with US-based major Arbor Acres.
- A $10-15 million dollar investment in a new project to be set up in a tieup with Corning Glass Works of the US to manufacture a new type of tableware.
- A sally into the manufacture of automatic drip coffee machines and electric irons with technology from Black & Decker of the US. The numbers of this project are yet to be worked out.
- An industrial promotion centre called Eagle Estate in Vadgaon (Maharashtra) *taluka* which will house 100 ancillary units and boost industrial activity in the region.
- Getting into financial services through a new company called Equitable Finance.
- Launching a range of new products this summer, among which figure folding glasses and water carriers.

Quite a plateful of plans by any yardstick. But the one which is closest to Padamsee's heart is the first. Says he: "There's great potential in chicken. A tiny country like Thailand does some Rs 1,000 crore of broiler exports; our country just about manages Rs 1 crore or so. We are definitely in a position to do better."

To get a leg into the segment, Padamsee took over a mothballed chicken farm belonging to Asian Agro Farms (set up in collaboration with Arbor Acres a long while ago), pumped in some Rs 3-4 crore in refurbishing it and wooed Arbor Acres to work out a new deal with him. And he succeeded in getting the company to sign up.

Under the agreement, Eagle Agro will be importing what Padamsee calls "genetically superior" day-old chicks from Arbor Acres (forming the grandparent stock). These will then be used to breed chickens (the parent stock) which, in turn, will be used to produce the fowl that will end up being eaten on the dinner table. Says the Harvard-educated Padamsee: "The Indian poultry industry has gone the wrong way by going in for import of pure lines and producing broilers from them. Several foreign outfits have been dumping dud pure lines. Besides, you don't have to go so far back up the tree because breeding from pure lines is a highly sophisticated process which I think should be left to specialist companies abroad. Indians have tried to do so (breed from pure lines) and have messed up the economics of the business, making our broilers too expensive for exports."



PADAMSEE: *New corporate strategic plan*

Cheaper chickens. According to him, chickens which are currently being raised by India's chick kings through the pure line route require more expensive feed (constituting 70% of the input cost) and time to attain the stage when they can be chopped for chomping. As a result, several poultry units are facing closure. "My chicks will reach 1.5 kg in weight in five weeks as compared to six weeks for others and they'll consume that much less of the expensive feed. Hence, I shall be able to be price-competitive internationally and the meat will also be tender. Besides, I'll be able to give the Indian common man cheaper chickens," says Padamsee.

The Varale (close to Talegaon)-based farm is all geared up to get going. However, Eagle Agro's first real year of operations will be 1994 when the first set of chickens will be ready for the butcher's knife. Padamsee's turnover target for the third year following that: Rs 300 crore. Says he: "In the fifth year, I hope to touch Rs 100 crore in exports. And my import cost will be just Rs 30 lakh."

Before that he'll have to get his infrastructure in place. For his grand vision to become a reality, he'll need a chain of poultry farmers to ensure the volumes he's looking at. Padamsee is more than aware of this. Says he: "There'll be four parent farms, two grandparent farms and 500 cooperatives working with us. We shall also be taking the franchise route. On the whole, I definitely think I can make it with Eagle chicken."

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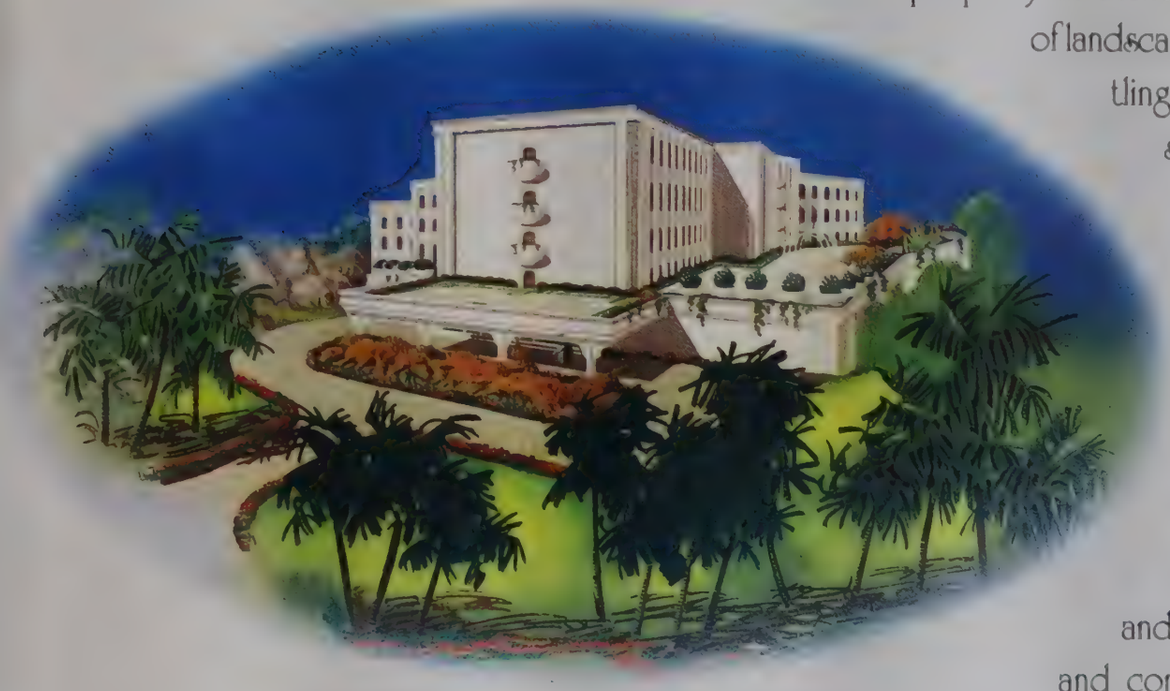
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That he well might, but the second project that Padamsee has his eagle eye upon — the Corning link-up — will be a coup of sorts if it gets through. It envisages getting into the manufacture of Corelle tableware — a jazzy and pricey range — in a phased manner. "A CorelleWare cup looks like bone-china, only it survives at least 70-80 normal accidental drops in the home," says Padamsee. Initially, the company will be importing blank ware (non-decorated cups, saucers *et al*) and dabbing them with decorations and designs for sale domestically. His initial investment: Rs 3 crore. "Finally, we may produce CorelleWare fully from a different type of material available locally," says Padamsee. It's, however, too early to talk about the direction the project will take because the deal has yet to be inked.

The same is the case with the third Eagle venture — the tieup with Black & Decker. For a long while, the company has been exporting coffee carafes to the American outfit. But now it has kicked off discussions for a collaboration agreement, under which it will manufacture automatic drip coffee machines and electric irons. The company plans to place the coffee machines in hotels, restaurants and airports. The going will not be easy for both the products. For one, dispensers have yet to take off in a big way domestically; so a lot of market-creation efforts will be needed. Secondly, in the electric iron markets, the company will have to scrap it out with a slew of competitors — several of them in the unorganised sector.

Financial foray. Padamsee's fourth venture — the financial services outfit — will not join the mutual fund and portfolio management rush. He has drawn up a rather sedate role for Equitable Finance. It will basically concentrate on lease financing. Says Padamsee: "It has a lot of properties in its fold, which will be leveraged to raise loans." And that money will be used for financing projects within the group and outside.

With so much diversification on its plate, won't Eagle Flasks' grip on its mainstay (insulated ware and vacuumware) markets be loosened further? "This will be our bread and butter," says Padamsee. That may end up being just wishful thinking. In the previous decade, a throng of nippy me-toos cropped up from nowhere and today they are all gunning for a piece of the Eagle turf domestically. Says Padamsee: "I control 60% of the market. I see myself as a pioneer. As long as people copy me, I'm happy because it means I'm leading them. Eagle is indeed a strong brandname."



EAGLE AGRO FARMS: *Hatching profits?*

It's probably this attitude which may have allowed names like Milton, Cello and Bharat deliver a few knocks to Eagle's marketshare. For instance, in smaller thermoware — bottles — these three brands have captured top-of-the-mind awareness. And Eagle has more or less opted out of this segment with just a minor presence in the shape of a pencil-shaped bottle targeted at children. Even in insulated casseroles, the company is facing a strong challenge from the three players. "Don't forget, I helped create this market. And I offer a complete set — right from glasses, plates etc." says Padamsee. "I have some 200 products and my development team churns out a new product almost every fortnight."

Among the new ones expected to roll out this summer are ranges called Travel-eezee, Chill-eezee and Sip-eezee. The first includes water containers which can be folded away when not filled and placed in a briefcase. A folding glass made of plastic will also come along with these. "Sip-eezee is a hybrid between the soft and hard containers available currently. All the three will be very chic products," says Padamsee. And he's still very gung-ho about the thermosoft range the company launched a couple of years ago. One of the products which was pushed in a big way was the Squeezee water bottle. "We developed it taking off from the Spanish conquistador bottles. I still see a lot of promise in this product," says he.

His opinion of the company's ability to export is the same. Last year, Eagle shipped out some Rs 12-15 crore of vacuum refills (capacity from three plants in Pune, Madras and Firozabad: 1 million per month), flasks/carafes and the battery of products it manufactures to nearly 60 countries. Apart from that, its merchant export division too went on overdrive, sending some Rs 10 crore worth of sports goods, granite, rice, leather goods, apparel, dyes and chemicals to foreign shores. Obviously helping him in that effort were the company's overseas offices in the US, Germany and the UAE. Says Padamsee: "I'm extremely bullish about the future. Today, I'm heavily backward integrated with facilities for producing all my needs — right from printing, injection moulding, stainless steel cutting etc — on one site." Which basically translates into a plethora of small private companies. "Yes," says Padamsee. "That's the way we function. And I have no intentions of going public. I like to fund growth internally. Don't be surprised, I don't pay any dividends."

What's left to be seen is whether his diversification strategy does so.

□ Anil Wanvari

VST TILLERS: HARVEST TIME?

Power tillers for paddy fields is its lifeline product. But power has been missing in its bottomline for many years. That might soon become a thing of the past. Bangalore-based VST Tillers Tractors is now hopeful of doling out a modest payout during the year ending 31 March 1993. And it will be the first dividend ever by VST in its quarter century of existence. Says managing director V.P. Mahendra: "We are sure to totally wipe out the Rs 1.23 crore of accumulated losses by 31 March 1992, and get into the dividend list in 1992-93."

Does that mean VST is set to get out of the sick bed it was confined to during the late eighties? "Yes," says Mahendra. Evidence of that happening is that the Board for Industrial & Financial Reconstruction (BIFR) has modified its package with effect from 1 April 1992. Under the new BIFR dispensation, VST will have to pay a higher interest of 14% on institutional loans, against the 12% it has been paying until now. Simultaneously, the company will now have to shell out a 20% interest on working capital loans.

That is certainly a sign of changing fortunes. VST slipped into the morass in the first place for three major reasons. One, power tillers as a concept has been slow to gain acceptance in rural areas and two, sluggish exports. Add to these the fact that when VST kicked off its tractor operations in 1986 the import content was as high as 50% and the the rising yen did all the damage. "All that is changing now," says Mahendra.

As part of the change, VST is keen to explore related areas such as engines for power tillers and even general purpose engines. "The plan of action is to raise the proportion of tractor and engine sales in VST's total turnover," says Mahendra.



MAHENDRA: *Seeing scope for growth*

Today, tillers account for as much as 75% of VST's turnover and the company is keen on seeing tractors chipping in with more than the current 15% and engines 10% to the annual turnover.

VST is looking to its collaborator and 25% stakeholder — Mitsubishi Heavy Industries of Japan — for active support in its growth plans (VST went in for a 2:1 rights equity issue recently to finance its modest growth plans).

The other prong of attack VST is honing is exports. VST has made a beginning here by exporting 5% of its turnover during 1991-92 to Mitsubishi. But the plan now is to consolidate the gains in the power tiller segment and go in for tieups with Mitsubishi for other products. Says Mahendra: "The idea is to push exports so that we can earn much more forex than what we spend." VST's import content is about 10% in the tractors division (which has been brought down from 50% in 1986), while its exports are not more than 5% of annual turnover. Says Mahendra: "We are now concentrating more on long-range components for overseas buyers. We have begun supplying Japanese manufacturers made-to-order components for tractors," says Mahendra.

All that is fine. Even the market for tillers is okay, with just one competitor — the public sector Kerala Agro Machinery Company (Kamco) which has a tieup with Kubota of Japan — left in the field. Moreover, the estimated size of the power tiller market is around 12,000 units a year, while VST and Kamco together account for only 8,000 units with an equal marketshare. "There is scope for growth," agrees Mahendra.

Where VST has to really buck up is in tractors. Mahendra feels VST can improve its paltry 0.33% marketshare in this segment. His strategy: make tractors for applications not catered to by its heavyweight competitors such as Mahindra & Mahindra and Eicher. "We will make tractors for non-traditional applications," he says.

Mahendra has set his sights on a 25% rise in turnover and a post-tax profit of at least Rs 1 crore by 1992-93. Currently, the company seems to be on the right track.

□ A.H. Ghani

VST : A FINANCIAL PROFILE

(Rs crore)

	Year ended 31 Mar 91	Year ended 31 Mar 90	6 months ended 30 Sept 91	6 months ended 30 Sept 90
Gross revenue	18.71	14.78	9.52	7.19
Gross profit	1.08	(0.09)	0.61	0.26
Profit after tax	0.88	(0.31)	0.54	0.16
Equity share capital	0.75	0.75	0.75	0.75
Reserves & surplus**	1.84	2.00	—	—
Earning per share+	117.33	(41.33)	144.00*	42.67*
Gross margin (%)	5.67	(0.34)	6.41	3.62
Net margin (%)	4.65	(1.82)	5.67	2.23

* annualised
** including revaluation reserves of Rs 1.63 crore and Rs 1.82 crore for the year ended 31 Mar 91 and 31 Mar 90 respectively.
+ Rs per Rs 100 paid-up share.

■ Following the approval of the Cabinet Committee on Economic Affairs, Indian Petrochemicals Corp Ltd (**IPCL**) will start work on its third petrochemicals complex at Gandhar in Gujarat. The project, due to commence in April, is expected to cost Rs 3,600 crore and will be fully commissioned in 48 months.

■ Consolidated Fibres & Chemicals Ltd (**CFCL**), whose Rs 140 crore acrylic fibre plant at Haldia is slated to commence production in June,



GOENKA: *Spinning mill plans*

plans to set up a spinning mill there as well, according to CFCL chairman G.P. Goenka.

■ The Uttar Pradesh State Industrial Development Corp (UPSIDC) has signed a memorandum of understanding (MoU) with Western Indian Industries (**WII**) to set up a captive power plant in the Mussoorie-Gulavati area in Uttar Pradesh. The Rs 100 crore project will be implemented by a new company, with UPSIDC and WII subsidiary Western India Industrial Technology as partners.

■ The Board for Industrial & Financial Reconstruction (BIFR) has cleared the merger of **Odin Metal Powders**, a sick company based in Hyderabad, with Sundaram Fasteners as part of a revival plan for Odin.

■ Metallurgical & Engineering Consultants (**Mecon**) has bagged a prestigious assignment from the Zimbabwean government. The company has been entrusted with the preparation of study reports and investigation of the country's magnesite, chrome ore and graphite deposits for ascertaining their suitability for the manufacture of basic refractories.

■ Krishak Bharati Cooperative (**Kribhco**) has drawn up a Rs 1,200 crore plan for a 1,350 tonnes per day (tpd) gas-based ammonia plant in Tripura, thereby abandoning its Haryana project.

■ The joint sector company to be set up by Asea Brown Boveri (**ABB**) and National Thermal Power Corp (**NTPC**) is planning to implement an 800 mw Bawana thermal gas unit near New Delhi. This follows the MoU signed between the two companies for a combined cycle plant during the visit of prime minister P.V. Narasimha Rao to Davos, Switzerland, in January this year.

■ The Monopolies & Restrictive Trade Practices Commission (MRTPC) has issued a temporary injunction restraining **Peico Electronics & Electricals** from allotting fully convertible debentures as a special offer to Philips International, Holland, and the Tatas, says *The Observer of Business & Politics*. The MRTPC was acting on a complaint made by the Philips Employees Union and two shareholders charging Peico, N.V. Philips Eindhoven, Holland, and Tata Industries with indulging in restrictive trade practices.

■ The final order placement of the five major global packages for the second phase modernisation programme of the **Rourkela Steel Plant** has been almost finalised at an investment of over Rs 2,000 crore after negotiations with the leading bidders.

■ A 1,500 mw lignite-based power station is to be set up at Jayamkondan, Trichy, by the **Tamil Nadu government**. The Rs 7,000 crore project is expected to be in the joint sector and will prove beneficial to the most backward areas.

■ Trichy-based Bharat Heavy Electricals Ltd (**Bhel**) has bagged a Rs 28 crore order to undertake the renovation and modernisation work of Russian-made boilers in the Bokaro steel plant of the Steel Authority of India Ltd (Sail). The work will involve revamping and upgrading three boilers of 220 tonne per hour capacity each.

■ **Sundaram Industries** of the TVS group is likely to tie up with US-based multinational NCH Corp for the manufacture of various types of chemicals, especially automotive maintenance chemicals. NCH will have a 51% equity, while the Indian counterpart will hold the rest of the stake.

■ IPCL's Maharashtra gas cracker complex (**MGCC**) at Nagothane has commissioned its ethylene oxide ethylene glycol (EO/EG) plant with a capacity to produce 50,000 tonnes per annum (tpa) of monoethylene glycol (MEG) and 5,000 tpa of ethylene oxide. EO/EG is one of the downstream units of MGCC.

■ Container Corp of India (**Concor**) is expanding, with plans charted out for the year-old inland container depot (ICD) at Hyderabad and a similar facility at Vijayawada. The Rs 20 crore expansion-cum-modernisation plan is expected to make Andhra Pradesh the state with the maximum number of ICDs.

■ The **Spices board** is setting up a gamma irradiation unit in Cochin, with knowhow from Bhabha Atomic Research Centre (BARC), says *The Economic Times*.

■ The **UB** group of Vijay Mallya has abandoned plans to dispose of its engineering units, Best & Crompton and Western India Enterprises Ltd (WIEL), says *The Observer of Business & Politics*.

MALLYA: *No disposal proposals*



■ The board of directors of **Escorts** has declared an interim dividend of 15% for 1991-92, the same as last year. This



NANDA: *In a generous mood*

was stated by Escorts chairman H.P. Nanda after the board meeting on 24 March. According to Nanda, three new joint venture companies have already been incorporated during the current year.

■ Eleven more varieties of titanium dioxide pigment, specially needed for formulation in the plastics and printing industries, will be manufactured by the state-owned Kerala Minerals & Metals Ltd (**KMML**).

■ There has been a setback in the revival process of **Mafatlal Plywoods** with the Karnataka government expressing its inability to contribute its share of Rs 25.5 lakh for the package, says *The Economic Times*. Thus, the company will not be entitled to the other contribution from the Industrial Development Bank of India (IDBI), which is conditional on the state government's participation.

■ The Rs 2,200 crore R.P. Goenka group's **Harrisons Malayalam** is all set to invade the lucrative and high-growth area of polypacked tea, says *The Economic Times*. This foray will represent a major diversification for the company.

■ The Neoluxe group's **Neogem India** is setting up a plant to manufacture cut and polished diamonds, plain gold jewellery and diamond-studded gold jewellery. The estimated cost of the project is Rs 5.5 crore. The company also proposes to have a marketing arrangement with Rare Jewels of Hongkong, and will establish offices in Dubai and New York.

EVENTS

■ The recently-held **Cologne International Hardware Fair** had a record Indian participation by 58 companies, 40 of them from the hand tool sector. For the first time, 11 Indian companies displayed industrial fasteners and metal fittings.

■ The research and development cell of **Usha Rectifier** has for the first time in the country developed a high-capacity rectifier which converts alternative current into direct current.

■ The foundation stone of Fanuc India Ltd's (**FIL**) manufacturing facilities was laid in Bangalore by S. Oinaba, president and chief executive officer, Fanuc, Japan. FIL's plant will manufacture CNC systems, spindle motors and servo motors.

LAUNCHES

■ Tata Engineering & Locomotive Co's (Telco's) new four-door passenger car called **Tata Estate** was launched by J.R.D. Tata at a function in Pune on 18 March. The car will be open for booking in April. The launch of Tata Estate comes just 10 months after the Tata Sierra model was launched.

■ The Indo-German Chamber of Commerce (**IGCC**) has brought out a book entitled *How to do business with Germany* to give Indian businessmen an insight into the economic situation, foreign trade and investment possibilities in united Germany.

■ **Shaw Wallace & Co** launched *Director's Special Book of Cricketing Controversies* in Bombay on 24 March. The book has been published by Ritam Communications.

AWARDED

■ The Mysore complex of public sector Bharat Earth Movers Ltd (**BEML**) has bagged the second best **productivity performance** award in the heavy engineering sector for 1990-91.

■ **Shreyans Paper Mills**, a Ludhiana-based company, has bagged an award from the National Productivity Council for the fourth consecutive year. The company is in an advanced stage of implementing its spinning project in Ludhiana.

■ Western Electroniks has been selected for the **Delhi Safety Award**. The award will be presented by the secretary, labour, Delhi administration.

■ Four employees of the National Thermal Power Corp (NTPC), working at its Vindhyachal super thermal power plant, have received the **prime minister's award** from minister of state for coal P.A. Sangma. All the employees are technicians who had successfully undertaken the repair of a severely damaged generator rotor collar at Vindhyachal.

■ **Godrej Soaps** senior vice-president (personnel) K.N. Sharma has been presented the **National HRD**



SHARMA: *National HRD proposal*

Award for his contribution to human resource development.

■ Jutlibari Tea Estate, a unit of Gillanders Arbuthnot Co in upper Assam, has been awarded the **Arch of Europe International gold star for quality** for production of best quality tea. The award was given on 16 March by the international selection committee of J. Ban, Madrid, Spain.

Soft drink majors take the battle to consumers' homes.

COLA WARS

It's going to be a very hot summer. So says Parle (Exports) marketing manager J.K. Sanzgiri. The mercury will shoot up like always but, in the soft drink market, there's going to be more than the usual sizzle. For one major reason: by this time next year, there'll be another soft drink jostling for shelf space. And it will be a player with tremendous brand muscle — Coke. This gives existing companies just this summer and the pre-winter season to rustle up strategies to increase their domains and their share of the consumer's mind.

The two big 'P's of the Indian market — Parle and Pepsi — have already started working up a fizz in the marketplace. Even the smaller fry are trying out their two-bits. Consider:

- Both Parle and Pepsi have decided that packaging and price are going to play a major role in the soft drinks market. Their earlier clash saw the bottle size being increased to 250ml (from 200ml) with the price more or less being maintained.

Then, last year, Parle reintroduced its once-failure — the 500ml "Maha Double" Thums Up — in Delhi tagging it along with new positioning. With a great deal of success. The company has since extended Maha Double to several other towns and recently to India's No 2 soft drink city — Bombay. Pepsi has retaliated by uncorking a 1 litre glass bottle in the metro. And the news is that even Parle has 1 litre plans.



Ramesh Chauhan's Parlé is going the other way too: last year, it introduced a small (one-third a normal bottle's height) 200ml Maaza (its fruit-based mango drink) in Delhi. Later, it upsized the bottle to 250ml. Both the companies plan to take the size gambit for most of their flavours.

- The buzzword with the two companies' marketers is "take-homes" — that is, promote consumption of soft drinks at home. With larger-sized bottles, there's no other option they have. It's difficult to picture an individual downing a 1 litre Pepsi, Thums Up, Citra or 7Up, at one go at a shop or restaurant. Hence, both of them have designed attractive

KEEPING RIVALS AT BAY

In the global marketplace, they've been eyeball to eyeball for quite a while now. Sometimes it's been Pepsi which has blinked first, sometimes it's been Coke. But in India, the two soft drink majors will have their hands full battling, apart from each other, the sprightly and savvy homegrown warrior Parle (Exports) chief Ramesh Chauhan.

Chauhan is a past master at multinational bashing. He put paid to the "all-American" Double Cola's aspirations. Pepsi has struggled from roadblock to roadblock. And Coke, which is likely to be in the market by summer 1993, will also be in for some rough weather.

CHAUHAN: *Muscle may weaken*



But the times have changed somewhat. In an era of fewer controls, Chauhan's much-ballyhooed muscle with the mandarins in the Centre is likely to weaken. Predicts Pepsi Foods executive director (beverages) Ravi Dhariwal: "With Coke coming in, the rules of the competition are going to be more market-led than lobby-led."

But Chauhan claims that he has given Pepsi a licking in the marketplace too. "The Pepsi prong has been blunted and bent," he says. "Indian entrepreneurship has prevailed." Adds Parle (Exports) marketing manager J.K. Sanzgiri: "Look at the kind of hype they came in with, and examine how they've performed."

Pepsi's Dhariwal, however, has a riposte ready: "If anybody thought Pepsi would be market leader in year one, he was expecting too much. We wanted a marketshare of between 15 and 20%. We have met this and are very happy."

But what about next year, when the common man will have the real thing — Coke — as another option? As it is, the market trend has been towards colas. The largest-selling organised-sector soft drink in the country today is Thums Up — a cola — and not Limca, as was the case earlier. Says Dhariwal: "Cola drinks may capture 50% of the soft drinks market from the present 33%."

Obviously, Coke will benefit from this shift. "Just the thought of Coke brings up nostalgia. This will help the cola," points out Duke & Sons director D.F. Pandole.

What is the thinking in the Parle and Pepsi boardrooms about Coke?



crate-like plastic containers in which a number of bottles can be taken home.

■ The duo has decided that it's colas and clear lemon drinks where the action is going to be. "The market is going to be more cola-led and clear-lemon-led," says Pepsi Foods executive director (beverages) Ravi Dhariwal. "Thums Up is the main brand," says Parle's Sanzgiri. His Citra is outselling Lehar 7Up 1.7:1. "But one can't forget the presence of McDowell's Sprint in the south," adds Sanzgiri.

■ In the meanwhile, Pepsi is going about filling up slots where it didn't have a presence. The company has launched a mango-flavoured fruit-based bottled drink under the Lehar Slice brandname in Nagpur and Uttar Pradesh. "We plan to make Lehar Slice the biggest juice brand in the country. Besides, we are also testing more flavours to see which are suited to the Indian market," says Dhariwal. "We are exporting six flavours to the US — mango, papaya, banana, pineapple, guava and mixed fruit."

PANDOLE: *A new fizz*



■ Pepsi has also introduced soda fountains in a few locales in Madras. Basically dispensers, the soda fountains are luring the crowds. "We'll be going in a big way with them nationally, only the timing's not certain," says Pepsi Foods general manager (corporate affairs) Neel Chatterjee. According to him, volumes have trebled in areas where the dispensers are available.

■ The two companies have aired new advertising campaigns. While Parle has stuck to Salman Khan and "Taste the thunder" for its TV spots for Thums Up, putting the actor in new situations, Pepsi has gone in for a new catchline — "*Yehi hai* right choice baby" — and a new singer (young Penny Vaz) to accompany pop star Remo Fernandes in the Pepsi commercial. In the Citra ads, Parle is continuing with its superduper "Supercooler" catchline. If one looks closely, one can see the carry-away container in the commercial.

Both Parle and Pepsi have plans to push such containers in a big way in the future. Lehar 7Up too has a new TV spot — one featuring a pretty young thing with Fido-Dido in Goa. Apart from that, both are unwrapping new promotions and the usual giveaways for buyers.

■ Among the smaller players, it's the Bombay-based niche-player Duke &

"No threat, no challenge," says Chauhan confidently. Dhariwal gives the Pepsi point of view: "We will not suffer, because we know how to compete with Coke. We have done it several times before. Parle is the one which will get squeezed. For Pepsi and Coke, soft drinks flow in their veins. For Parle, it is more of keeping the rival at bay." Pandole sounds the same note: "I don't think there's anything Chauhan can do to stop Coke. Somehow I get the feeling Thums Up will disintegrate."

For that to happen, Coke will have to cobble together enough bottlers. And it won't be too easy, as setting up a bottling plant requires more than loose change apart from proper marketing and distribution expertise. "The coming years will be one big auction sale by bottlers. They'll say: "You give me this and that, otherwise I'll defect." Whoever gives more bucks will get him. Obviously, they can't forget that Coke was king once," says Pandole.

The person who could be affected most is Chauhan who has some 56 franchisees, some of them erstwhile Coke bottlers. Pepsi has already been making raids, and has managed to wean away four Parle bottlers. Around end-February, Parle, according to sources, lost one of its Delhi franchisees who eloped to Pepsi. Altogether, Pepsi has some 14 bottlers in its bag. Says Dhariwal: "We will franchise new bottlers, only if we come across a lucrative partnership proposal." Chauhan's response is straight from the hip: "If you steal, you are a thief and you have to pay the price."

Obviously, ethics will get short shrift as the scramble for bottlers gathers pace. It is likely that even Pepsi will come under attack from Coke for its requirements. But, for the now, the Atlanta-headquartered soft drink giant is chatting with its earlier bottler — Delhi-based Pure Drinks. Says Pure Drinks chief executive Madanjit Singh: "The whole thing is in a melting pot and the exact details are yet to be finalised."

However, it is quite possible that Pure Drinks may stop rolling out its Campa Cola and go for Coke. For, in the aftermath of the cola wars between Pepsi and Parle last year, Campa has been reduced to a shade of its earlier self. Apart from that, there's the rider which Coke International president John Hunter has thrown up. Says Hunter: "It is our policy not to allow our bottlers to have a competing brand."

Singh is more than aware of this. Says he: "Coke's bottlers could be a couple of our seven companies. These companies won't market Campa, while the rest will." He, however, is candid enough to admit: "I think we would opt for bottling Coke, if the choice is ours."

For the southern markets, Coke is likely to bank on Rajan Pillai's Britannia. In the west, the Double Cola unit seems up for grabs. But that is not in Bombay, which could be a problem. Says Pandole: "It is going to be difficult. The Bombay Pure Drinks factory probably won't be large enough, apart from certain other problems plaguing it. Coke will have to do something, as no new water-based industry is permitted to be set up in the city. And it can't make mistakes like Pepsi did by going to Raigad — which is far away from the centre of activity."

But could there be a tieup between Duke's and Coke? "I don't see why. Nonetheless, I can't rule it out," says Pandole.

In tomorrow's cola wars, the big three will battle it out, while the smaller fry fall in line.


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GOING YELLOW?

With the spotlight focused on bottle battles, cola clashes and lemon tiffs, tetrapaked fruit-based drinks have somehow moved back into the shadows. Guesstimates about how much share of the total soft drink market they command today vary. "Some 5%," says Pepsi Foods executive director (beverages) Ravi Dhariwal. "And they've failed because people like to see what they are drinking."

Frooti maker Parle Agro general manager Jagdeep Kapoor doesn't agree. Says he: "Carbonated-drink manufacturers are expected to say that. The natural drink marketshare is 12-15% and it is growing."

While Parle's mango Frooti can be labelled a juicy success, its cousins — orange Frooti, 'appy and Pingo — are struggling to find their rhythm. The company's tomato drink 'matto has, of course, been consigned to the dustbin, as have a host of other entrants like Volfruit, TreeTop and Great Shake. Despite this, there's always somebody new gunning for a piece of the action. For instance, Godrej Foods, launched its Jumpin' range around October last year. Then, Gujarat Agro had its Jive, Karnataka Agro its Gala and another small Gujarat-based player recently got tipsy with its brand Grapsy.

Among its range, Parle is trying to kickstart 'appy. And the place it has chosen for that is down south in Tamil Nadu. "This year should see the rebirth of 'appy," says Kapoor. "We are also going to explore various fruits and overseas markets. Worldwide, there's a trend toward natural drinks."



Jumpin' maker Godrej Foods chief S.S. Sami is also pretty optimistic. "We are doing reasonably well with a 15-20% share of tetrapaks," says he, "and are definitely not going to be marginal players. I'm talking about a three-four year timespan for us." Sami's basic goal is to push into smaller towns with the Jumpin' range and build reach. "In this game, it's volumes which matter," says he.

Be that as it may, Sami has had to beat a retreat as far as Jumpin' Mango's packaging is concerned. When the brand was launched, some amount of controversy was generated as the pack was coloured green and uncannily resembled Frooti. But Godrej marketers said they wouldn't make any changes. Apparently, they've been forced to do so now. The Jumpin' Mango pack has paled to a bright yellow colour since January. Sami denies this has anything to do with Frooti applying pressure tactics. Market sources, however, say the case is exactly the reverse. Says a marketer: "Jumpin' has lost round one. Let's see how it fares in round two."

Sons which has been silently and gradually spreading outwards from its hometown. Over the past couple of years, it has quietly put up franchised operations in Madras, Belgaum, Goa, Nagpur and Delhi. The company rolled out a new orangeade flavour in Bombay recently, while a cola was introduced in the north. The size advantage (300 ml) that Duke's once had may not, however, prove enough in this era of 500ml and 1 litre bottles.

How will all these strategies pan out? Well, reactions are mixed. For one, there's the problem of pricing. Maha Double, for instance, which was promised at Rs 7, was being hawked at sticker prices ranging between Rs 8-10 in Bombay soon after launch. At certain places, refills were being made available at Rs 5, at others, at Rs 6 or 7.

"It's impossible to keep tabs on a huge network of retailers," says Duke & Sons director D.F. Pandole. He should know. When he launched his orangeade in Bombay this summer, the drink was available at prices varying from Rs 3-5, despite a discount promotional scheme being on.

Pricing will be even more important when the 1 litre bottles and Parle's smaller bottles get going in the marketplace. At the time of going to press, the rumour was that the 1 litre Pepsi would be price tagged at Rs 13-14. If that proves true, then it's likely to eat into Maha Double's prospects, as it will be quite on a par with it. "I expect the Pepsi 1 litre to do well, because it has a screwable cap. This means it can be used and tucked away in the fridge to be reused later. Will Parle also get that?" asks Pandole.

As far as the take-home concept is concerned, it's not really new. "It was tried by Parle and Pure Drinks in an earlier era," says Dhariwal. "But it was done in a half-hearted manner. You have to offer the consumer economy. Take-home is like a snack and it must be positioned that way. We feel that a resealable pack is ideal for this concept."

Bottles apart, Godrej Foods chief S.S. Sami feels even other types of take-aways will take off in a big way here. Says he: "The problem with bottles is that the empties have to be recollected by the bottler. Apart from non-returnable bottles, I see cans coming into the picture in future (despite the high cost)."

That, however, is for the future. How Parle's and Pepsi's price, size and take-home strategies fare is important for the nonce. On that will depend what the market will look like years down the line.

□ Anil Wanvari

(With reports from Mahasweta Ghosh Roy and Shashi Shekhar)

ZEN'S NEW ACQUISITION

Ping, it's gone. The Parle Agro Pingo account which was hitherto with Goutam Rakshit's Ad Avenues has slipped out of its grasp. Parle has handed over the campaign (remember the catchline "Pingo. It never fails to satisfy.") to Bharat 'Amul' Dabholkar's breakaway outfit Zen Communications. The account, worth a cool Rs 1 crore, should come as a real shot in the arm for Zen. Parle Agro general manager Jagdeep Kapoor says that it's not as if Ad Avenues' work failed to satisfy the company's marketers. "Rather, we wanted to consolidate all our accounts under one agency — Zen — as it handles our other products," says Kapoor.

THE WATCHDOG DECIDES

The Advertising Standards Council of India's (Asci's) consumer complaints council (CCC) is really coming into its own. Between October and December 1991, the industry's watchdog received 71 complaints and it decided on some 51 of them. Some 13 were upheld, 27 were not and 11 were dismissed as non-issues.

Like always, the complaints received were a mixed bag. An ad by Clarion for Blue Dart was frowned upon by the CCC. The ad claimed that Blue Dart was the only courier company operating on three days when Bombay roads were flooded heavily and airports and trains were not functioning. The agency explained that it was a one-time insertion and it wouldn't be repeated.

Trikaya Grey also received some stick for an ad created for its client Bharat Margarine, which claimed that sunflower oil controls cholestrol. The agency was asked to make modifications. Then a pamphlet created by Dey's Medical Stores for Mala-D birth control pills faced Asci's ire. It featured a picture of Mary clutching Jesus Christ as an infant, while talking about birth control. The company discontinued circulating the pamphlet.

It wasn't as though only the small outfits mucked up. Even Procter & Gamble (P&G) too had do a cleanup act of sorts for its TV spot (in Telugu — created by Chaitra) for Ariel Microsystem. The spot said, at one spoonful a wash, a pack of 500 gm of Ariel lasts a month and costs around Rs 30. There were four complaints (three of the complainants were untraceable later) which said that this was in contravention of s.39(b) of the Standards of Weights & Measures Act, 1976. The upshot: P&G had to delete the claim relating to price and modify the one which said that the product lasted a month.

The other ads which were hauled up included: General Insurance Corp (GIC) — agency R.K. Swamy/BBDO; Joint Publicity Committee (public sector banks) — Imageads; Model Institute of Education & Research; the National Egg Coordination Committee ("How to get more tomato from a tomato") — Enterprise; PCS Data General — React; Pepsi Foods (the crown contest) — HTA; Petrosil Oil ("The world's first choice") — Adfactors; Tapoban House Finance and Transelektra Domestic Products (the ad "...pssts them goodbye for Hit) — daCunha.

Despite the numerous complaints, Asci executive secretary Teresa Viju James sees a silver lining. Says she: "The

RISING IN POPULARITY

Only a few years ago, many people considered branding a commodity a laughable idea. But not any more. Branded salt and rice-sellers have surely proved otherwise. And the latest attempting to do so is Kanmoor Foods (KFL), a subsidiary of Bombay Oil Industries, with a rice brandnamed — Mehfil.

Says KFL general manager (marketing & sales) Mohan Mahopatra: "In the long term — about 5-10 years down the line — there is going to be a perceptible and definite shift to branded rice, especially the higher-priced varieties. So, this is the right time to get into the act."

Though there is a general consensus that currently 90% of rice is hawked as a commodity with only 10% in a branded, packaged form, nobody is willing to hazard a guess about growth rates for the entire market or the branded segment. "That is why," says Mahopatra, "we don't see the four major branded rice products in the market today, (Kohinoor, 444, Sona and Flying Hot) as our major competitors. It is the other segment (non-branded rice-users) that our marketing and advertising is aimed at."

Thus, besides the usual marketing props of proper pricing, point of purchase materials, 'below-the-line schemes etc, KFL is concentrating on its distribution network as its major line of attack. The company's endeavour is to make Mehfil available with the maximum number of dealers and shopkeepers.

Though launched only in Bombay and Pune for now (supported only by print ads), Mahopatra hopes the feedback will prompt him to take Mehfil national. In which case TV will be utilised for wider reach. Currently, the brand is available in five varieties (basmati, broken basmati, parmal, brown basmati and ambe mohar rice), with the prices ranging from Rs 17.50-40 for a 1 kg pack and Rs 24.50-77 for a 2 kg pack (10-12% of the cost is taken up by packaging). Will KFL pocket a rich harvest?





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number being upheld has been falling over the past four quarters. It shows that advertisers are being more careful about the claims they are making in ads." In an industry, where opinions are often construed as fact, that must be some saving grace.

A PROMISING COMEBACK?

It definitely lived up to its promise in its time. Only to be beaten back by a competitor with a lot of muscle. However, undaunted, Balsara Hygiene Products is seeking to squeeze out more promise from its once-No 2 toothpaste Promise. The company has relaunched the brand in the northern and western parts of the country. Says vice-president (marketing & sales)S.K. Palekar: "You can't really label it as a relaunch. There's a new formulation and there's a new pack which is somewhat similar to the previous one."

According to him, the New Promise, has one important new ingredient — thymol. "This is an internationally-used mouth-freshening ingredient. Because of this, the paste tastes different; it's fresher. And we are catering to the segment that's wanting freshness."

The toothpaste is riding on the catchline that it "keeps your breath fresh longer with clove oil." This means that Balsara hasn't yet given up on the clove oil proposition. A step which could be fraught with danger, as it means offering two promises each of which could mask the other. While agreeing that this may be true, Palekar says "it's an experiment which should work."

On another front, the company has not yet fully made up its mind about launching a toothpaste gel, despite reports to the contrary, says Palekar. "We'd like to see how the market goes. No doubt, the gel marketshare has jumped from 14% to 22% in a year. But we are currently focusing our attention on Promise. Don't forget, we are No 2 in the white toothpaste segment with Promise and Babool having a 9.5% and 5% marketshare respectively."

HEADY BATTLES

The premium segment of the shampoo market seems to be headed for a



shakeout. A renewed battle appears to be on the cards with the market leader — Hindustan Lever's Sunsilk shampoo (with about 21% marketshare) — making an aggresive bid to staunch competitors' efforts to infiltrate into its territory. Apparently, the company has awakened to the challenge being posed by foreign technology-backed newcomers like Nemaru Coiffure (Bigen shampoo) and Allure Cosmetics (Ultra Doux) — both of which brought products in classy packaging and with a foreign feel — and gone in for a relaunch of the Sunsilk brand.

Says a Levers spokesman: "We are upgrading the product technology of Sunsilk, in a bid to cater to changing consumer needs." And to do that "the product formulation has been changed to that of international standards." And even the whole packaging is being spruced up. The company is introducing snazzy new "fliptop bottles", a novelty in India, which allow for shampoo outflow in limited quantities. Besides, the product is being introduced in four variants, with specific positioning in the new packs and at no extra cost.

When the leader starts making aggressive noises, competitors are bound to sit up and take note. Bombay-based Allure Cosmetics has done exactly that. The company is making a concerted effort to boost its stake by introducing a unique mini 20 ml plastic bottle and, if company sources are to be believed, it has seen encouraging results. Says an Allure Cosmetics spokesman: "Our earlier 60 ml packs have done reasonably well, considering the fact that we are a relatively new company. The new launch has been to widen our customer base and the product has seen a rapid offtake from shopshelves."



"WE ARE WORTHY WINNERS"

Last month, the Advertising Club, Bombay, picked small-time agency Forefront Advertising for its campaign-of-the-year award. Forefront's work for American Dry Fruits' Mother's Recipe pickle pushed back HTA's Hamara Bajaj *campaign to second spot and Lintas' high-decibel ad for KamaSutra condoms out of the reckoning. Some of the bigger agencies immediately howled at this decision (the Ad Club hadn't dished out the award in the previous two years; and, in its silver jubilee year, its selection could have been better than a low-profile campaign, they said).*

However, Forefront managing director Ajay Gupta is least perturbed. Says he: "I'm sure we are worthy winners. The Ad Club considered several parameters before deciding and we came out tops. In fact, the fact that A&M *magazine also picked the campaign for a major award lends credibility to that decision."*

Down in Bombay, Forefront has been making waves over the past couple of years with its eyecatching ads for small brands. Not even ankle-high to the bigger outfits, the agency is expected to chalk up Rs 2.5 crore in capitalised billings this year. That's some going, especially if you consider that Gupta set up his agency in 1987 with a piffling Rs 2,600. BusinessWorld's *Anil Wanvari spoke to the 26-year-old on the Mother's Recipe ad campaign, the award and why he thinks it came his way.*

■ On the ad industry's reaction to a small agency getting the award.

Well, there's been a mixed reaction. Half of them have loved it. The other half hasn't been able to digest the fact. But let me state for the record: "If visibility and obvious execution is strategy or big idea, then we weren't in the race at all (read KamaSutra should have bagged it)." Rs 11 lakhs (in billings) is all we had to make a brand in Bombay. That's as shoestring a budget as they come. The first three months were bad. But go into the marketplace today and check whether we have been able to achieve our goal or not.

■ On the factors that made launching a pickle brand a difficult proposition.

First of all, we didn't even know that the market existed; there were no statistics as it was mainly in the unorganised sector. Consumers can eat either homemade or packaged but non-branded or packaged branded pickles. It was the last category we were looking at, and demand here was negative as most people thought that pickle available in shops is not to be consumed because its quality is very poor. Normally, all of us prefer homemade stuff. So what we had to do was a major conversion exercise of attitudes and beliefs. And that was indeed a challenge if you consider the small budget we had.



■ On how these perceptions were corrected.

We started out at the branding stage itself. As pickles are a woman-oriented product, made mostly by mom, we chose Mother's Recipe as the brandname. The packaging also showed chunky pieces of fruit and vegetables bathed in strong warm kitchen lighting to enhance the homemade feeling. This strategy was, of course, followed in our advertising too.

■ On other inputs that Forefront provided.

I, personally, went to restaurants and hotels and requested them to keep our pickle dispensers and give it to customers to try out. We also spoke to *tiffinwallahs* and inserted pickle sachets in tiffins. Aside from that, we sampled the products at kitty parties.

Then, American Dry Fruits was never into marketing consumer products. So we helped set up the marketing team, devise the total strategy and even the brasstack movements in the market. We sat in on sales meets every week. We also tramped the streets for a month to make retailers stock the product. It was a helluva job. Remember, we were not advertising at this stage at all. Yet, we were talking premium. So retailers had to be convinced about the product. We did this by opening jars, and talking to them at length. To give them a feeling that we would also be providing ad support, we posted a glossy insert in a *Kutchi* newsletter — *The Kutchi Patrika* which most *Kutchi* retailers read. The message that got through was: "Look guys, we'll make the product move from the shelves." Then we put up wall posters, danglers, stickers, strategic hoardings, a few print ads and six spots on second channel TV.

■ On the results of the entire exercise.

Mother's Recipe should have sold around 347 tonnes in 1991-92, yielding a turnover of Rs 1.65 crore. Bombay saw 6,750 tonnes of pickle being consumed in 1990. Bedekar's (a local brand) accounted for some 436 tonnes of that and it has been selling for several years. Up-to-date data on the market is not yet available with us, but I don't think we've stolen market-share; rather we've expanded the market. And we are going to Gujarat next, and national by this year end.

PHARMA MARKETING: AN UPDATE

For a new product I am planning to launch shortly, should I organise seminars/conferences or follow the traditional route of detailing through medical reps? What should the dosage of my spending be? Should I spend more on providing product samples or should I advertise more in medical journals? What about the promotion of old products? Should I send mailers to a large number of doctors or provide gifts to a select few? These are some of the dilemmas which a product manager in a pharmaceuticals company faces and has to tackle very frequently.

Traditionally, pharmaceutical marketers have been relying heavily on inputs from their own reps for designing their promotion mix. Though important, this feedback has shortcomings too, mainly because it is not completely free of bias.

In a market where there is intense competition (where for a single product you can have as many as 150 brands) and a premium on the doctor's time (2-3 minutes per rep), there is an increasing need for an independent and a more formal system of gathering information. In addition, the piles of cash splurged on promotional activities every year necessitate the adoption of a more systematic approach rather than merely relying on gutfeel or feedback from one's own medical reps.

Realising this need, the Indian Market Research Bureau (IMRB) conducted an extensive study called the Medical Promotion Index (MPI) to ascertain the perceptions of doctors towards different promotional activities such as detailing, visual aids, product samples and gifts. The study, which involved both qualitative and quantitative research, was conducted amongst 700 medical practitioners spread across 10 centres. And it threw up some interesting findings.

Consider some of them:

- Seminars/conferences are perceived to be the most important promotional activity for new products.
- Regularity of visits besides short and precise detailing are perceived to be important traits of a good medical representative.
- On an average, six products are detailed to a doctor per visit.
- One out of every two doctors cannot associate the gift received with the company which distributed it.
- Eight out of 10 doctors retain product samples in catch covers.
- On an average, a doctor reads two medical journals regularly.

MPI not only provided information regarding the relative importance of different activities but also covered in detail the attitudes and perceptions of medical practitioners towards them.

For instance, it revealed that although medical reps are perceived to be the most effective link between manufacturers and doctors, docs tend to rely less on the reps for information on new products. The tendency of reps to merely repeat whatever is written on the visual aids *ad verbatim* and their inability to answer doctors' queries are perceived to be the main reasons for this negative inclination.

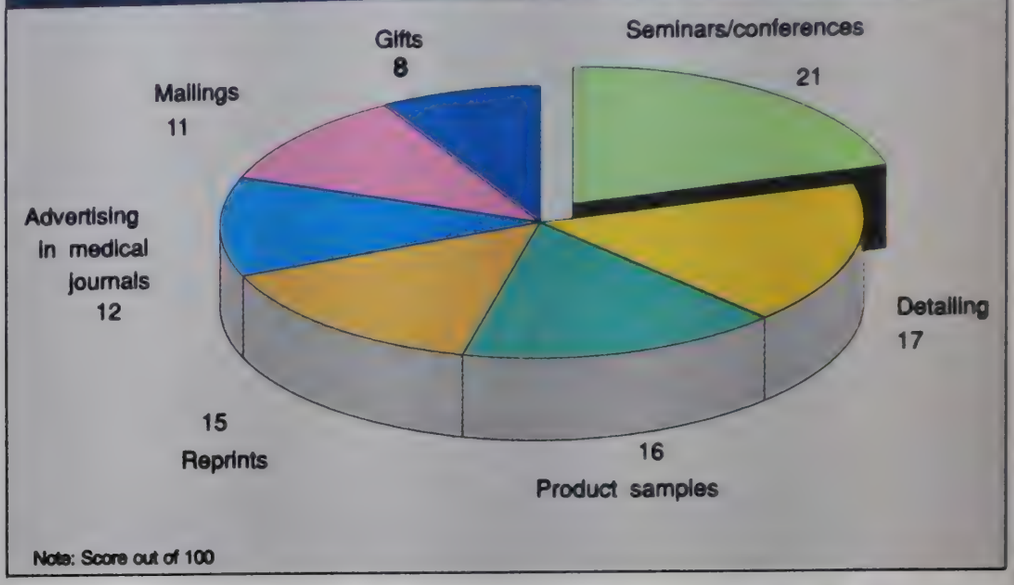
Doctors also believe that reps need to be more flexible in their approach and should modify their presentation style depending upon the situation. For instance, if a doctor has a queue of patients waiting patiently at his clinic, it would be good for the medical representative to curtail his sales spiel and detail fewer products than he normally does or may be just give the product samples, forgetting about the detailing totally. Being sensitive to pressures on a doctor's time can certainly help in establishing a rapport with him.

MPI also made an assessment of the image of different companies, as far as promotional activities are concerned. Indian companies appear to be fast catching up with most multinationals. Glaxo, however, retains its edge. On almost all the promotional activities, including detailing, Indian companies are perceived to be better or on a par with the other multinationals.

With the business environment changing and a liberal drug policy expected, an exciting battle lies ahead. But one thing is certain: Indian companies are surely going to give the multinationals a run for their money.

□ Sandeep Gupta
The author is a project director with IMRB, Bombay

IMPORTANCE OF PROMOTIONAL ACTIVITIES FOR NEW PRODUCTS



Note: Score out of 100

COMPANY RANKING ON TEAMS OF MEDICAL REPS

No of doctors Per cent ranking ... company as first	680
Any multinational company	41
Glaxo	18
Pfizer	4
Hoechst	3
Any Indian company	49
Cipla	11
Cadila	9
Himalaya	4
Torrent	4
Ranbaxy	3
Not specified	10

Mait seeks to broaden its base.

COME ONE, COME ALL

Even as you read these lines, the Manufacturers'Association for Information Technology (Mait) may have ceased to exist. In name, that is. Early in April, a group of the association's key members meet in New Delhi to rechristen the body that has represented their interests for a decade.



MEHTA: *For an overall industry perspective*

As we go to press, we're not yet sure what the new name will be. What is certain is that the word 'Manufacturers' will not figure. Over the past two years, Mait has tried hard — without any great success — to shrug off the general perception that it is a body of, for and by hardware manufacturers. And the change in name is only part of a complex restructuring exercise that seeks to extend the association's ambit across all the segments of the infotech industry.

It won't be easy, as Mait's own efforts in that direction have proved. Although the association already has separate divisions to cover the areas of computer training, software systems and peripherals, few non-hardware companies see Mait as their own. Software outfits have a strong alternative body in the National Association of Software and Services Companies (Nasscom); a number of training companies joined hands recently to form the National Association of Computer Trainers (Nact); and industry grapevine has it that peripherals-vendors are planning a similar setup.

The interests of the user community are represented by the Computer Society of India (CSI).

Most industry leaders, however, agree that there is a need for a single body to represent the broad interests of the industry as a whole. Says Nasscom president Harish Mehta: "We should have a body like the Confederation of Indian Industry (CII) to take an overall infotech industry perspective, while separate associations address the issues pertaining to specific segments."

A new role. That, in a sense, is the role Mait hopes to play. Says president Rajendra Pawar: "With the liberalisation of the economy and reduction of government controls, we won't need to deal with the various departments and ministries as much as we did in the past. So, our emphasis is shifting from liaison and representation to promotion and development."

That is not to say Mait will cut off links with the government altogether. "There will always be some liaison work to be done. Besides, we're hoping to work closely with the government to help formulate an information technology policy," says Pawar.

The details of the restructuring plan, designed by Delhi-based consultants Business Direction, are still being worked out. But the broad directions are clear. To start with, the divisions representing the various industry segments will be strengthened and made autonomous. Each segment will elect its own representatives, two or three of whom will join an 'umbrella' executive council that will address wide-ranging issues facing the industry.

In time, the divisions would become individual associations, working under a CII-like confederation. Mait vice-president Pravin Gandhi hopes existing associations, like Nasscom, will join in. "The challenge now lies in the development of the industry and the promotion of information technology; and we can do these best when we work together," he says.

As far as Harish Mehta is concerned, Nasscom will gladly join any confederation that works towards these objectives. But he has a rider: "If and when the confederation is formed, Mait will be just a member association,



PAWAR: *Shift in emphasis*

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representing the hardware segment. Mait, in itself, cannot claim to be a confederation."

Nonetheless, member companies believe there's no dearth of important tasks Mait should now add to its responsibilities. Says Veer Sagar, chief executive of DCM Data Products: "Mait should now become an agency for creating market demand by selling the concepts of information technology to industry at large. It should promote computers as productivity tools." Adds Ashok Jain, president of International Computer Indian Manufacture (ICIM): "Mait should also go out and sell India to the world by promoting exports. At home, it could help importers negotiate deals with foreign suppliers."

Both Jain and Sagar say Mait, in its new avatar, could play a key role in establishing and monitoring quality standards.

Pawar is open to all suggestions: "We're involving as many people as we can in the restructuring process. We've kept all our members informed and have asked everybody for ideas." For good measure, Mait is interacting with other industry associations. "We can learn a lot from bodies that have been around much longer than the infotech industry," Pawar says.

Larger secretariat. While members may debate over the nitty-gritty of the restructuring exercise, they seem to be in general agreement over one key change: upgradation of the Mait secretariat. Industry leaders say the secretariat should be given more staff and more responsibilities.



GANDHI: *Seeking industry-wide unity*

And that's music to Anurag Agarwal's ears. The workaholic Mait secretary is bursting with ideas and plans. "There's no end to how much we can contribute to the strategic, tactical and operational functioning of the association," he says. Gandhi agrees: "It will be the secretariat's job to conduct research, collect data, organise workshops and seminars, publish papers... in short, do everything possible to help the various divisions and the general executive council."

Some of that is already happening. The secretariat's role lacked clear definition in Mait's early years; most of the association's tasks were carried out by elected members. But, over the last few months, Agarwal and his 10-member team have taken on a good portion of the burden. "We've been sending out reports on government policy, conducting market research and doing trade projection analysis. For the first time ever, last year, we brought our own industry performance figures. Now, we're hoping to be able to monitor production and sales every two or three months." The secretariat's strength will be doubled this year and its budget (Rs 12 lakh in 1991-92) greatly hiked.

AGARWAL: *Taking on extra burden*



So too, Mait's overall expenditure. As the association takes on promotional and developmental roles, its monetary requirements will soar. And mere expansion of membership (dealers, maintenance outfits, value-added resellers and telecom companies will probably be made eligible shortly) won't bring in enough cash.

An expo too many? To boost earnings, the association has said it will conduct a four-day infotech exhibition, styled "IT'92" at Pragati Maidan, starting on 26 August. The announcement is likely to spark off some controversy. The industry already has two major exhibitions — CSI's and Nasscom's. Does it need a third?

Agarwal believes it does. "The focus of the CSI show is somewhat blurred by the conference that goes along with it and generally attracts more curious spectators than serious buyers. Nasscom's show is obviously centred around software. What we're offering is a clearly-focused buyer-seller meet." How the industry reacts is to be seen. Says ICIM's Ashok Jain: "We'll have to wait for both Mait and CSI to spell out plans for their respective exhibitions. Then, we'll evaluate the two and pick the one that will benefit us most."

If IT'92 proves a success, the CSI expo will be the hardest hit. As DCM Data Products' Sagar points out: "No company can afford the time and money required to participate in two exhibitions." Harish Mehta says Nasscom will probably defer — and may even cancel — its own show, if IT'92 lives up to expectations.

The key to the success of the exhibition — and indeed, Mait's restructuring exercise itself — will depend on its ability to bring all the industry segments into its fold. Less than total support from any one group would seriously undermine the entire effort.

□ Aparisim Ghosh

Modi Olivetti puts its card on the table.

CLEAR OBJECTIVES

Sashi Ullal doesn't wear his ambition on his sleeve; he carries it in his pocket. And what's more, he makes sure every other Modi Olivetti executive does the same.

In an unusual extension to its total quality management (TQM) programme, the Delhi-based B.K.Modi company has issued its employees with palm-sized cards that state, in no uncertain terms, its corporate mission, philosophy and strategic objectives for the period 1991-94. Executives are expected to pass the cards on to customers, existing and potential.

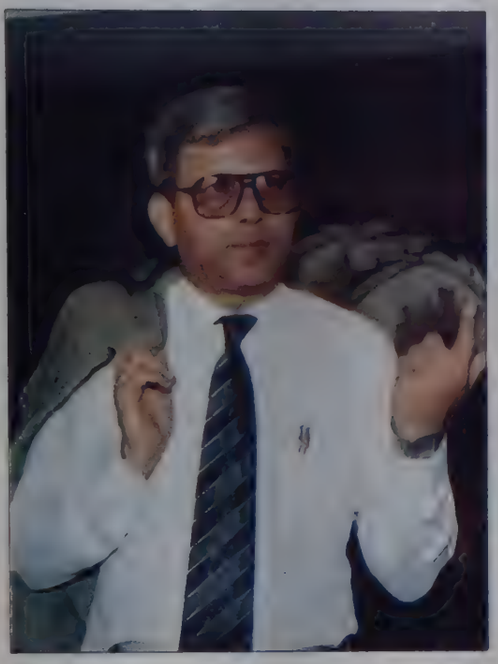
The card serves two purposes. First, it gives customers a clear insight into what Modi Olivetti seeks to be. Secondly, as vice-president Ullal explains: "Every time an executive explains its contents to a customer, he is reminded of his company's principles and goals."

The strategic objectives make interesting reading. Among other things, the company aims to:

- Gain a marketshare of 20% in each of its product lines.
- Provide after-sales support to reduce machine down-time to a maximum of 2%.
- Establish strategic alliances in manufacturing, to reduce cost, and in software, to meet customer requirements.
- Break even by 1992-93.

While industry watchers agree Modi Olivetti has carved for itself a distinct niche in the personal computer (PC) market over the last two years, they believe the company may be over-stretching itself somewhat. They point out that the PC market isn't what it used to be; sales have stagnated — even fallen in some categories. Competition is fierce, margins virtually non-existent. In such a scenario, Modi Olivetti's pricing policy (the company's products have been between 40% and 68% more expensive than the market average) appears suicidal.

But then again, that's what industry experts have been saying ever since the first Modi Olivetti machines hit the market, in 1989. The company proved them wrong in fiscal 1990-91,



ULLAL: *Accent on customer service*

when sales shot up to Rs 28 crore from Rs 5 crore. And it looks on course to disappoint the Cassandras again; the books for 1991-92 are expected to close with revenues in excess of Rs 35 crore. With 25% growth in a year the industry has averaged 14%, Modi Olivetti can thumb its nose at everybody who questioned its pricing strategy.

But can it do the same in 1992-93? Ullal certainly thinks so. The PC market doesn't seem likely to recover from last year's slump over the next 12 months; if anything, the going will get harder. Ullal admits as much: "Things are bound to get worse before they get better." But he is confident Modi Olivetti can survive the downtrend — and even prosper — to a reasonable extent. Says Ullal: "We should turn in a small profit in 1992-93; the next year, we're hoping to wipe out accumulated losses."

There's good reason for that confidence. The company's performance in 1991-92 has proved that, despite the cash crunch, an increasing number of PC users, individual and corporate, are willing to fork out premium prices for high-quality PCs. Says Ullal: "Until recently our machines were rarely considered by companies that wanted to buy a large number of PCs. Now, we are part of almost every major deal."

Getting there wasn't easy. For a start, Modi Olivetti had to fight one of the PC market's oldest axioms: if at first you don't succeed (in selling your machines), cut, cut and cut prices again. "A salesman in this industry is always ready to drop his pants (and his prices) for the customer — and to hell with the company's balancesheet," says Ullal. Customers, used to being pampered silly by vendors, found it hard to understand why Modi Olivetti's machines should cost so much more than the norm. After all, a PC is a PC is a PC, right?

To prove that perception wrong, the company focused its marketing and advertising effort on the quality of its products and its after-sales service (styled "Oliservice"). Although his machines typically suffer only one breakdown a year, as opposed to the industry average of 6-8, Ullal isn't fully satisfied. "We're aiming for Olivetti's international standards; that means one breakdown in every two-and-a-half years per machine." Nor is he content with the performance of the 'Oliservice' team. "The philosophy of putting the customer first is still in the process of percolating down the ranks, " he says. The TQM cards should help.

One of the important strategic objectives laid down in the card says the company aims to "achieve exports of products, services and software to meet (its) import requirements." However, compared to other companies that have foreign equity partners, Modi Olivetti's export performance has been meagre. This is largely because, unlike other foreign partners, Olivetti hasn't been using its Indian outpost as a software source. It has, however, granted Modi Olivetti permission to export PCs to China and the SAARC countries. And, Ullal hopes: "One day, Olivetti will source some components from us."

That day is probably several years down the line. For now, every card-carrying Modi Olivetti executive has his work cut out for him.

□ Aparisim Ghosh

Vedika Software gears up to compete with the bigwigs.

PURSUING GROWTH

Arvind Agarwalla doesn't let E-X haunt his dreams. Tata Consultancy Services' (TCS') bestselling business accounting package may have stolen the thunder from every other product of its genre, but Agarwalla's Calcutta-based Vedika Software is ready to take on the might of TCS — head on.

Vedika's launch of FACT 5.0 was heralded by press ads that took the battle straight into the TCS camp with the headline: "Ten things FACT 5.0 can do for your accounting, which E-X finds too complex." An obvious dig at the E-X punch-line: "Everything else is complex."

Agarwalla knows the risks that come with challenging a market leader, but he obviously believes FACT 5.0 can stand up to the comparison. "I feel only the best will survive, and I have enough confidence in my product," he avers.

It was with that sort of confidence that Agarwalla launched the first version of FACT five years ago, to modest success. Vedika was set up in 1987, after Agarwalla fell in love with his first computer (a Macintosh), while looking after his family's gas station. His initial investment was Rs 45 lakh, making Vedika one of the most expensive start-ups of its time.

Favourable response. Not much later, Vedika released Orion (subsequently upgraded to Orion Turbo), a user-friendly information management system. While it didn't set the Ganges on fire, the package was well-received and rated highly by users. Other Vedika products include Invest, a financial accounting package integrated with an investment portfolio and Wall Street, a package for stockbrokers.

Although by no means a runaway success, Vedika does have a loyal clientele; 85% of its customers come back for more. One of the reasons for this is the company's unique annual maintenance contract system. A buyer pays 20% of the cost of his purchase from the second year onwards, and is assured all subsequent upgraded versions free of cost.

AGARWALLA: *Raring to go*



Late last year, Agarwalla took the Orion Turbo to the Comdex fair at Las Vegas, "with visions of returning with a million-dollar cheque." As it turned out, those visions didn't quite take shape. But Agarwalla refuses to be discouraged. "On hindsight, we were just wetting our feet. But we did realise that our product was of world class. We're now negotiating with some firms abroad." Vedika is now working on two products that will be targeted exclusively at foreign markets.

At home, Vedika will continue to pursue growth, opening offices in Delhi and Madras, in addition to those in Calcutta and Bombay. To extend his reach further, Agarwalla intends to spend 20% of Vedika's revenues on advertising.

Although it is one of Eastern India's largest software houses, Vedika's revenues don't compare well with those of its rivals in other parts of the country. Turnover in 1991-92 is expected to be in the region of Rs 50 lakh, up 100% from the previous year. But Agarwalla hopes his policy of ploughing earnings back into the business will pay off in 1992-93. His target: Rs 2.5 crore.

Still chickenfeed by TCS standards, but at least Agarwalla isn't chickening out of the competition.

VSNL is helping clear the red tape.

ONE WINDOW, FINALLY!

A dedicated satellite link is an important element in the Indian software exporter's armour. Not only does it allow him to zap volumes of data to his foreign customer in a jiffy, it also permits him to keep constantly in touch with worksites thousands of miles away.

Until last year, things were moving rather slowly for the software exporter on this front as he had to deal with multiple agencies — the Videsh Sanchar Nigam Ltd (VSNL), the department of telecommunications (DoT) and the Mahanagar Telephone Nigam Ltd (MTNL) — to get his link. Companies seemed to spend more time dealing with layer upon layer of bureaucracy than on actual software development work. As a result, just a handful of software outfits had their lines in place.

But here's the good news: all that

will soon be history. Says VSNL chairman & managing director B.K. Syngal: "VSNL today provides this service under a single window. And we deal with the other agencies."

Bright prospects. According to Syngal, things are moving rather fast; around 10 software exporters should get their links very soon. By year-end the figure should rise substantially; a pile of applications is pending implementation. The cost to an exporter: around Rs 15 lakh for the Indian end. But Syngal believes that the price tag will be pared down over time.

Software exporters are undoubtedly overjoyed. Says National Association of Software & Service Companies (Nasscom) president Harish Mehta: "Within three years, the entire complexion of software export is going to change from body-shopping to offshore development, once all the lines are installed." That means Indian companies will be in a better position to bid for large, high-margin software projects instead of the odd jobs that most of them get now. And that, in turn, means more dollars all round.



SYNGAL: *Providing solutions*

While all this is fine, software developers say an element of simplicity should be brought in as far as other telecom services like the gateway packet switching system (GPSS) and the gateway electronic mail (Gem) are concerned. Says a Bombay-based software developer: "Why should I go to MTNL, DoT or anyone else for that matter for my GPSS or Gems number? Let there be a single window for these services too."

Going by Syngal and the VSNL team's record in the recent past, a solution will most likely be worked out. And the sooner the better for India's software export effort.

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THE YEAR THAT WAS



It took some time in coming, but it has happened at last. The Indian information technology industry, which was used to such heady growth rates as 40%-plus per year, has finally come to grips with a low-growth situation. The trend we saw in the second-half of 1990-91 spilled over into — and continued almost throughout — 1991-92.

The two most prominent features of the year were:

(a) The cash crunch felt by buyers as well as manufacturers, and

(b) The import squeeze, which prevented manufacturers from planning their production and meeting delivery commitments.

Since the information technology industry is import-intensive and has very high working capital requirements, both these factors have hurt computer companies — hard. I don't think there were any exceptions.

Debtors and inventory together account for a capital tieup of around 180 days. On top of that is the very high rate of obsolescence, which leads to inventory write offs. This again could be around 2% per month. Trouble is, most banking norms are built around high capital investment and low working capital requirements.

Moreover, infotech sales are not steady throughout the course of a year — over 40% of sales takes place only in the last (Jan-Feb-March) quarter. This further puts a tremendous strain on working capital management.

The various procedures thrust upon the industry by the government (like list attestation, margin money etc) prevented a smooth inflow of material for production and support. Luckily, this part is now behind us and the onus of proper planning and scheduling is now squarely with the manufacturers.

1991-92 has been one of those rare years when there have been no major launches of new hardware products

The consequence of the tight market situation, where money was scarce, buyers were even more so and profit margins virtually non-existent, is that computer companies have now started examining the way they have been doing business. Many of them now see the need to change. Witness: the restructuring and quality improvement programmes undertaken by so many infotech companies. Almost all manufacturers have cut down on manpower and are looking for ways to get work done with fewer hands.

The best news for the user community is that manufacturers are looking more closely at their quality procedures and standards. ISO 9000 and TQM (total quality management) are becoming an integral part of everyday functioning.

Organisations are asking fundamental questions about their business, their long-term strategic directions and the need to do what they are doing. Should they do it differently? This introspection is very apparent.

Another fallout of this market situation is the realisation of the importance of cash management. Computer firms previously accepted orders with vague payment terms, some of which almost amounted to "payable when able." Now they are walking out of orders, if the payment is not forthcoming with deliveries.

Significantly, 1991-92 has been one of those rare years when there have been no major launches of new hardware products. I can't think of any manufacturer who made loud noises about a new piece of hardware. Of course, the software scenario could hardly have been more different. In addition to the high-profile launch of Tata Consultancy Services' E-X accounting package, the year also saw the mushrooming of software consultancy companies, most of which focused on the exports market. Practically every major business house announced its foray into this business.

If that made hardware manufacturers turn green with envy, they could take some consolation from the knowledge that they weren't as badly off as their counterparts in the US and Europe. While computer makers all over the world were forced to slash prices and margins, computers in India only became more expensive. This, of course, was largely due to the devaluation of the rupee.

A POTENTIAL MARKET

The other significant development in 1991-92 was the direct fallout of the opening up of the economy: the sudden interest in India by multinationals. Giants like IBM, Apple, NCR, Sequent and Compaq sent out encouraging signals. IBM has already formed a joint venture; others are expected to follow suit. Many US-based companies have started to evaluate India as a viable source for software development. We're still a long way from becoming the 'software workshop for the world,' but international recognition of our abilities certainly helps.

In the final analysis, 1991-92 was a year of restructuring for the industry. And in all the gloom, there were silver linings. The quality improvement and the cost reduction programmes initiated by Indian companies will, in the long run, make Indian products more competitive. After this baptism by fire, our companies are bound to emerge stronger.

□ Veer Sagar
The author is chief executive of DCM Data Products

UNDERSTANDING LANs BETTER

In India, networking has to a large extent been restricted to local area networks (Lans), which connect machines within a short distance of each other, mostly in the same building. And in the absence of reliable data lines, this situation is likely to continue at least for some time before large wide networks, where connections can be made between cities, become popular.

In the meantime, it might be worthwhile to understand these Lans a little better. Let's start by exploding a few myths, using Novell's Network systems as an example.

Novell earlier offered three types of systems called Entry Level System (ELS) 1, ELS 2 and Advanced Netware. ELS 1 and 2 named one personal computer (PC) on the network as its file server (which connected all PCs on the network together and held the common shareable information), but you could use this machine just like any other PC on the network. That is, you did not need a dedicated file server.

But with ELS 1, you could connect only four PCs, use smaller disk capacities — it did not support controllers that let you install larger disks — and use network link cards called Arcnet which are slow. With ELS 2 you could connect eight nodes. They supported larger disk capacities and allowed faster communication using Ethernet cards and cables. This made possible data transfers at more than three times the speed that Arcnet allows.

Advanced Netware allowed you to connect a large number of users. But it was still written for an i286-based system and, therefore, did not utilise the full capabilities of the i386 when it was available. The Netware 386 was introduced a while later and utilised the potential of a 32-bit system, making operations faster. These systems required dedicated file servers. This main system performed all functions required to let connected nodes communicate with each other and share common information. But you could not sit in front of it and use it like any other PC.

Networks using these versions defy another belief. File servers are not necessarily the only servers on a Lan using these versions. As long as you use a Lan for some simple communication and information sharing across a few PCs, your file server takes care of these functions. But today, you can do much more on a Lan. These additional functions, mostly developed by third parties to work in tandem with Novell, could reside on one node and allow all nodes connected on the Lan to share it. In other words, these functions serve the entire network, and are therefore also called servers.

Now consider this. Your main office may be located in the business centre of the city, and small service centres are near some large clients of yours. Obviously you will need to share information with those offices. But what do you do if those offices are located at distant places — say, beyond two kilometres, which is roughly the maximum distance that a Lan can service? You ideally would have a remote



bridging server which connects these nodes to the main system via modems. This dedicated server would contain the necessary hardware and software to ensure smooth communication and make the system transparent to the load of processing this remote communication.

You may wish to use a database like Oracle which is available in a range of systems to let you transport information easily, taking you one notch higher in the hierarchy of information sharing. In a large network, you may also like to leave the file server to exclusively take care of network functions. This would encourage you to install a dedicated database server to manage the load of database operations. However, using Oracle would mean that the database server should operate under IBM's OS/2.

You may have a very heavy printing load on your network and decide to use a dedicated printing server — using software like PS print which allows you to print on a remote terminal. You may have a telex or a fax server which allows all network users to share the computerised telex and fax facilities installed on these dedicated servers. These are but a few samples of a range of add-on facilities that you can use, apart from basic networking.

Again, you may have a powerful server which can handle loads much greater than what the regular network management functions demand. In such a case, you should be allowed to add these additional functions to your server. This is what Netware 386 allows through its Netware Loadable Modules (NLMs).

Netware 386 and Advanced Netware also offer some very useful additional functions. SFT versions allow you to maintain an additional disk which would be a mirror image of your main disk. This would protect you against disk failures and loss of data. In a large network, what happens if, say, 30 terminals are trying to write something on to the shared disk — and the power goes off!

But is data stored in these servers alone shareable on such Lans? This is not necessary — peer-to-peer Lans can help you access information directly from any remote PC with no concept of a server at all! Novell has a Lan software called Netware-Lite, which is becoming the best form of networking for first-time users. And they don't involve the cost of servers or the complexity of server-based systems.

On the other hand, your office may have a Unix-based integrated system, whereas your PC might be hooked on to a Lan. Today, it is feasible to have your PC connected to both the PC Lan and the Unix system and perform two operations simultaneously. So you end up having a large, powerful system and all the useful information that a network can give you. And yet have your same old PC on your table!

□ S. Prabhakar
The author is a senior research planner at Ogilvy & Mather.

Here's some news for all you Windows-watchers — another version is round the corner. **Microsoft Corp** says it will launch a new version of its widely-used personal computer (PC) program in April and expects to sell 1 million copies in the first month. The announcement seems designed to pre-empt **IBM's** expected launch later this month of a competing operating system for PCs.

Indeed, a marketing battle is certain. For the first time, Microsoft will use television advertising to promote Windows. And IBM too is planning a publicity blitz. Price competition is expected to be fierce, with Microsoft offering a Windows upgrade package to current users for $50. The new version is called Windows 3.1 and includes enhancements that make it faster, easier to use and more robust than previous versions, says Microsoft. Shipments of Windows 3.1 will coincide with IBM's introduction of OS/2, a competing PC operating system.

In another development, Microsoft will help Sony Corp with software and electronic titles for a new electronic compact disc device that the Japanese company is expected to offer in the US later this year. Sony's planned electronic player has been codenamed the Bookman. The Microsoft announcement reflects a growing convergence between computing and consumer electronics. In fact, Microsoft is expanding its efforts to create software titles for education and entertainment.

They're sure going places. **Dell Computer**, the fastest growing PC manufacturer in the US, has reported a 78% rise in net income and a strong increase in European sales in the fourth quarter of 1991. The company has enjoyed remarkable growth over the past few years by selling IBM-compatible PCs directly to the customer, cutting out middlemen. There's a hitch, though: the competition is increasing and many rivals in the US are thinking of imitating Dell's strategy. Dell, well!

Happy days are here again for **Unisys**, the struggling US computer manufacturer. In spite of continuing market weakness and tough competition, the company expects to post profits in the first quarter of the current year.

In fact, Unisys returned to the black in the fourth quarter of 1991 after several years of losses. Says chairman & chief executive officer (CEO) James Unruh: "We expect a small profit in the seasonally weak first quarter (of 1992) compared to a loss of $98 million in the first quarter last year." Outlining Unisys' strategy, Unruh says the company aims at lowering its costs in order to maintain profitability in spite of weak business conditions.

You could call it a leap of faith. A lifelong IBM employee and possible heir to chairman John F. Akers, **C. Michael Armstrong** stunned many with his 19 February decision to quit and join as head of General Motors' Hughes Aircraft unit. Insiders say the decision was largely driven by his prospects at IBM. In fact, it was reportedly made clear that Armstrong would not get IBM's top spot eventually.

Hughes Aircraft seems an odd place for an IBM lifer to make his stand — the GM unit is known mostly for its hitech military hardware. And though Armstrong has never worked outside the computer industry, GM chairman Robert C. Stempel obviously thinks he is up to the task. He and vice-chairman Robert J. Schultz are counting on Armstrong's marketing experience,



ARMSTRONG: *New area*

operational skills and international contacts. After all, like most Pentagon contractors, Hughes is trying to find non-defence markets for its technology. For instance, it is planning to make car phones employing digital technology, provide personal video screens and programs for Northwest Airlines and beam satellite signals directly to households equipped with miniature satellite dishes. It's here that Armstrong can prove strong.

LAUNCHES

■ Bangalore-based **Wipro Systems** has announced the release of Quattro Pro 4.0, the advanced version of the popular spreadsheet package developed by Borland International of the US. Wipro, country distributors for Borland, will market the product in India.

The Quattro Pro has already taken a large bite of Lotus 1-2-3's share in the US spreadsheet market.

The enhanced version combines built-in pushbutton power with a new graph system. It supports Lotus 1-2-3 files, macros and publishing styles. Wipro Systems also markets Borland C++, Paradox, Object Vision and Borland's Turbo range of products.

It also distributes the entire range of Ashton-Tate's software products, including dBase III Plus, dBase IV, Framework etc. Wipro Systems was Ashton-Tate's distributor in India before the US-based company was merged with Borland.

Contact: Wipro Systems, 40/1A Lavelle Road, Bangalore 560 001. Tel: 210818. Fax: 211954.

EVENTS

■ Exhibitions India will conduct a four-day international telecom and computers exhibition and conference at Pragati Maidan, Delhi, starting on 13 October. The **India Comm '92** will cover the entire range of equipment and supplies for telecommunications and computers.

The first India Comm, held in 1987, attracted 96 exhibitors, including those from the US, UK, Germany, France, Japan, Korea and Switzerland. Many foreign exhibitors are expected to participate in the October exhibition. The event has received official support from a number of Indian government bodies and public sector undertakings. It has been approved by the Trade Fair Authority of India (TFAI) and the department of telecommunications.

Contact: Exhibitions India, E/6 Defence Colony, New Delhi 110 024. Tel: 4622710. Fax: 3318812.

AN EPOCHAL BUDGET

H.P. RANINA



The nineties will be remembered as the decade when India opened its doors to foreign investment. In the 1992-93 Union budget, foreign investors have been invited to enter the Indian capital market without any restrictions. Here, a special reference has been made to the US pension funds, generally considered to be stable and cautious investors and which currently sit on vast resources aggregating over $2 trillion (Rs 50,00,000 crore).

The second important step taken by the government is to permit Indian companies with an established track record to raise funds in foreign exchange by floating equity and debenture issues in the international market. Investors who subscribe to these issues will be liable to tax on the dividends and capital gains at the flat rate of 10%. However, if the shares or bonds are sold outside India by a non-resident Indian (NRI) to another, no capital gains will be leviable in view of the exemption provided under s.47 (vii-a) of the Income-Tax Act (ITA).

As regards Fera (Foreign Exchange Regulation Act) companies and multinationals, these have been spared of several restrictive provisions of the act. The Reserve Bank of India recently granted general exemption from several controls applicable to Indian companies having a foreign stake. Furthermore, comprehensive amendments to the Fera have been promised.

With regard to reforms in the financial sector, the recommendations of the Narasimham Committee will greatly benefit foreign banks operating in India, as also the decision to allow them to set up additional branches.

Following the significant announcement regarding the partial convertibility of the rupee, foreign investors are now taking a closer look at India.

As for customs duty, the across-the-board reduction in the rates from 150% to 110% will galvanise India's trade structure. The reduction in the project import customs duty as well as tariff on imported capital goods from 80% to 60% will ensure a larger volume trade, thus resulting in an increase in India's exports.

The proposal to permit the Income-Tax Department to give advance ruling to sort out controversial matters will also be of a great advantage to NRIs.

The decision to allow NRIs to bring in gold by paying a duty of Rs 450 per 10 gms in foreign exchange has been taken with a view to curb smuggling. On paper this sounds quite possible. However, there are a few ifs. To curb smuggling, it is necessary that the NRIs sell the gold in the Indian market. Further, if the NRIs retain the gold, they will be liable to pay wealth tax in India at the rate of 1% for assets exceeding Rs 15 lakh. On the other hand, if the gold is sold it will attract tax on short-term capital gains, at the rate of 44.8% on gains exceeding Rs 1 lakh. Therefore, in order to curb smuggling, NRIs should bring gold in large quantities to the extent of almost 250 tonnes per annum, and the gold brought into the country must be sold in the Indian market.

The government, by permitting NRIs to bring gold up to 5 kgs per head, has met the first requirement. However, to induce the NRIs to sell this gold in the market, the profits made from the sale of gold should be exempt from capital gains tax.

Another scheme proposed by the finance minister is to allow resident Indians to deposit their gold with the government in exchange for gold bonds. These bonds will be free from wealth tax, unlike the 1% wealth tax leviable after the initial exemption of Rs 15 lakh in the event of retention of bullion or gold ornaments. A nominal rate of interest will be paid on the gold bonds, which will be exempt from income tax. Further, these bonds will be free from gift tax.

An estimated 20,000 tonnes of gold is held by individuals in India. Even if 10% (2,000 tonnes) of this is mopped up by the government by way of issue of gold bonds, it will strengthen substantially the country's gold reserves and will consequently enable it to improve its credit rating.

Another proposal which will help the country channelise substantial foreign exchange earnings of returning NRIs into Indian banks is the one permitting them to keep their savings in foreign currency-denominated bank accounts in India.

The greatest merit of the various proposals lies in the fact that the government has recognised the need for foreign investment



To sum up, the greatest merit of the various proposals lies in the fact that the government has, at last, recognised the need for foreign investment. During the fifties and sixties India relied heavily on aid from developed countries, and in the subsequent two decades borrowings from international institutions and commercial lenders became the order of the day, culminating in a foreign exchange debt of $80 billion.

The budget proposals of the finance minister will certainly go down in the annals of fiscal history in India as being epochal in character. After over four decades of India's affair with socialism, the country has awakened to the realisation that the path of liberalisation and globalisation will alone solve India's problems.

• *The author is a Bombay-based advocate.*

Sarla Gems has designs on the costume jewellery market.

PRECIOUS PLANS

If N.K. Surana had his way, every Indian woman — from teenage college-girl to 40-plus housewife — would wear costume jewellery. "Every woman has the right to be trendy and she should be able to get hi-quality, hi-fashion jewellery at reasonable rates," says he.



SURANA: *Focusing on the Indian woman*

Of course, Surana has a vested interest in the matter. He is managing director of Sarla Gems which exports the stuff. His plant, located at Falta export processing zone, makes jewellery crafted from gold, silver and other metals, studded with precious and semi-precious stones. Last month, Sarla Gems exported its first consignment worth $50,000 to the US. Surana's immediate commitment to his US collaborator is a further $150,000.

"We have to churn out electroplated gold earrings, brooches and necklaces, not by the thousands but by the hundred thousands," says Surana. "These are made to US designs and specifications. We had to import technology from Metro Charles of the US, a giant in this field having business worth $45 million." The stones (known as rhinestones) are imported in different colours and sizes from Swarovski of Austria.

Surana explains that it is the new designs that sell, and prices have a wide range. Earrings start as low as Rs 50 per pair and necklaces in the Rs 250-300 range. The same design, studded with precious stones like rubies and diamonds, could go up to Rs 3,500-5,000. "We are planning to come out with some ethnic Indian designs for our collaborator and also for the domestic market," says he.

Untapped area. According to Surana, the costume jewellery market is growing at the rate of 15%. This is an untapped area, not only in the country but also abroad. Moreover, with cheap labour, Sarla Gems has been able to acquire business which was previously going to Bangkok and Taiwan.

Encouraged by the collaborator's acceptance of Sarla Gems' products, Surana now plans to increase production capacity by commissioning an additional plant and new machinery in Falta for exports and the domestic market. Observes Surana: "There is obviously no shortage of demand."

Women in Calcutta will also get their first peek at the company's products soon, for Surana is setting up an outlet in the city. He has plans to set up similar shops in other metros very soon.

There is undoubtedly a booming market for costume jewellery both in this country and abroad. It is for the designers to tap this demand and explore it fully. For Surana, he is already one step ahead.

Safrroys spins off a success story.

CAPSULE CAPTAIN

It is an encapsulated story of success. Using indigenous technology, homespun entrepreneur Roy Varghese, managing director of Safrroys, has successfully developed automatic capsule-making machines which employ various sophisticated controls to produce hi-quality empty gelatine capsules. Last fortnight, Varghese was awarded the certificate of excellence for 1990-91 by the Engineering Export Promotion Council (EEPC).

Today, Safrroys' machines are being used by domestic manufacturers like Medicaps, a unit that is doing exceedingly well. Incidentally, some companies, which were lured by the immense profit margins in capsule-making and started after Medicaps with imported machines, are all in the red. Reasons Varghese: "The capital investment in these units is nearly three times that of Medicaps."

A commerce graduate from St Xaviers College, Calcutta, Varghese joined the Don Bosco Technical Institute, Calcutta, where spare parts of imported machinery were manufactured. Here he chanced upon spare parts of capsule-making machines and smelt opportunity. Varghese took six years to complete his design before setting up his own unit with a modest capital outlay. Today, his unit on the outskirts of Calcutta manufactures two-three machines a year.

Varghese proudly states that "the entire manufacturing activity is done without importing any equipment or technology." His technology, he says, compares favourably with that available in advanced countries. And his machines seem to have withstood the test. Safrroys has exported five such machines to Bangladesh for Rs 3.75 crore. Enquiries have also come from Australia, Sri Lanka and Pakistan.

Demand-supply gap. According to Varghese, there are 12 capsule-making units in the country based in Bombay, Delhi, Gujarat, Baroda and Indore. The total production of capsules in the country is 8,000 million, while the demand is around 14,000 million. In order to meet this demand at least 12 more machines will be needed in the short term.

Incidentally, a single machine can produce 7-8 lakh capsules a day.

Varghese claims that Safrroys is the only company in the country selling both technology and machines for capsule-making. There are units which have this technology, but are not willing to part with it. Varghese explains that the technology is critical both in the making of the machine as well as in manufacturing the capsules.

So far, his progress has been with his own investment. Now he is thinking of expansion. A new unit is on the anvil in Karnataka and more plans are being readied. With demand for capsules on the up, Varghese seems to have the right prescription.





A CAPSULE-MAKING MACHINE & (INSET) VARGHESE: *Good going*

ICI inaugurates its Delhi headquarters.

NEW HUE

The liberalisation moves of the Indian government have seen several multinationals sit up and take a fresh glance at the developments in the country. One such company is ICI of the UK. "This (liberalisation) will encourage ICI to examine new opportunities in India," says ICI director in charge of Indian operations A.T.G. (Tony) Rodgers.

Rodgers inaugurated ICI's plush new corporate headquarters at the DLF Centre in Delhi's Connaught Place recently. Pointing to this as one more example of ICI's continuing commitment to India, Rodgers and his colleagues list ICI India's current investment plans. These include the completed Rs 30 crore expansion of the rubber chemicals plant in Calcutta and the Rs 75 crore expansion of its dyestuffs joint venture with Atul Products at Gujarat, due for commissioning in 1993. A substantial portion of the output from this unit will be earmarked for export.

Apart from all this, the company has received government approval for the manufacture of polyurethane resins. This project could involve an investment of Rs 250 crore upwards, spread over the next three or four years.

More freedom. Rodgers and ICI India's top brass feel that the current regimen will allow companies to more easily "grow" the market, and stage their capital investments accordingly. The earlier licensing policy gave far less freedom since large capital investments for slated capacities had to be made first. These capacities had then to be nurtured while market demand inched up gradually. In capital-intensive, hitech projects, this involved inordinately long payback periods.

ICI India, long considered a low-performing giant, is expected to return to the dividend list for 1991-92. The fertiliser division is doing well and even the laggard polyester staple fibre (PSF) plant at Bombay is producing around two-thirds of its 30,000 tonnes per annum capacity. ICI's new corporate headquarters in Delhi is, therefore, a sign of the times — new confidence, and new prosperity.

RODGERS: *Looking for new opportunities*



Best Western is extending its chain to India.

ROOM FOR GROWTH

Best Western International, the world's largest chain of independently-owned-and-operated hotels, is gearing up to enter the Indian market. "We are looking for four- and five-star hotels which would like to retain their independence and autonomy and yet have the advantages of being part of a worldwide chain," says Best Western director (international membership development) Werner Braum.

Six hotels are expected to join the chain by mid-May, according to Best Western India president & CEO Anand S. Gupta. "We hope to have at least 10 hotels affiliated to us in our launch year (1992), and more than 30 in the next three-five years," says Gupta.

Unique attraction. Unlike other hotel chains that take an active interest in the management and daily operations of their affiliates, Best Western's unique attraction is its non-interfering aspect. "We don't have any financial investment in our members and neither do we offer management services. We only set broad guidelines," says Braum.

Some of the advantages members of Best Western International enjoy are brand recognition, a sophisticated international reservation network, professional expertise and various discounts.

Founded in 1946 by M.K. Guertin, Best Western International began as an informal referral system among member hotels in Arizona, US. At present it has 3,300 members all over the world. Says Gupta: "This concept will enable the independent hoteliers in India to also become united without losing their identity and to form a link with the outside world."

Well, Best Western has put its best foot forward in India. Will the Indian hoteliers join this international bandwagon?

BRAUM: *East is best*



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OFFSHORE FUNDS: OFF COURSE

Will the dollar come to Dalal Street? Currently, this is a billion rupee question. For, ever since the finance minister floated the idea of allowing direct foreign portfolio investment into the Indian bourses, marketmen have been making use of both their calculators and their imaginations to notch up estimates. The most conservative among them will be enough to send the markets into a dizzy upward spiral.

According to economic affairs secretary Montek Singh Ahluwalia, the government will come up with guidelines concerning such investments into mutual funds within the next two months. The bait is being set up. Will the foreign investor bite? The answer is a very important one. For, as Securities & Exchange Board of India (Sebi) chairman G.V. Ramakrishna has noted, foreign portfolio investment is one of the best ways to shore up forex reserves without incurring any debt burden. That makes eminent sense.

Despite the current excitement over these proposals, this is not the first time that foreign money has been invited into the Indian stockmarkets. Since 1986, various Indian offshore funds have been floated in the international markets to do precisely this. The four main country funds have, between themselves, raised over $500 million (see table).

Even more could be in the offing. Among the various public sector hopefuls expecting to get a piece of the offshore fund action are Infrastructure Leasing & Financial Services, Life Insurance Corp, Bank of India, Indian Bank, Central Bank and Bank of Baroda. Besides these government behemoths, many foreign banks are queuing up. These include Citibank, Standard Chartered and HongkongBank. The country's biggest international bank — Grindlays — is already a pioneer by floating an offshore venture capital fund. Besides this, the recently-announced guidelines giving the green signal to the private sector to get into mutual funds have also opened the way to participation in the offshore fund segment. The Mahindras already have their India Gateway Fund of $25 million.



VERMA: *New funds will face problems*

Yet, despite this impressive line-up of luminaries, the various country funds continue to languish. Till recently, all the listed funds were quoting at discounts ranging from 15% to 40% on their net asset values (NAVs). Currently, the trend continues. The only exception is Unit Trust of India's India Growth Fund which is trading at a small premium over its NAV. Its turnaround came on 3 March — the first day of trading on the New York stock exchange after the presentation of the budget. On that day, the fund became the star of Wall Street as it soared 26%. This, according to mutual fund sources, is a result of a more optimistic reading of the Indian economy by foreign institutional investors.

SHAH: *India's image needs a revamp*



The reasons for the various India country funds not attracting enough interest from the foreign financial institutions are many. Consider:

■ **Country risk.** Till very recently, international capital shied away from India because of various perceived sovereign risks. The decision of international rating agencies like Moody's and Standard & Poor's to downgrade India to junk level certainly did not help. Says SBI Mutual Fund chief M.S. Verma: "The primary reason that these funds are quoting at a discount on their NAVs is that India has been considered a risky proposition."

Things, however, could now be improving. Recently, the Japanese Bond Research Institute put Indian debt off credit watch. And it is learnt that Indian debt is trading in the secondary markets at 92 cents as against the pre-budget price of 82 cents. Both these are sure indicators of the fact that India is coming back into favour with the international markets.

■ **Currency devaluation.** Or rather the threat of it. To cover any currency risks that would arise if the value of the Indian rupee is depreciated, international investors have been discounting the price of the various country funds to that extent.

That is perfectly logical. Because any such devaluation will eat away into the net worth of any hard currency investor. For example, between December 1990 and September 1991, the Bombay stock exchange's sensitive index (Sensex) shot up by 65% in rupee terms. The figure in terms of dollars was a far more modest 16%.

THE MAJOR FUNDS

Fund	Promoters	Corpus	Listing
India Fund	Unit Trust of India — Merrill Lynch	£70 million	London
India Growth Fund	Unit Trust of India — Merrill Lynch	$60 million	New York
India Magnum Fund	State Bank of India — Morgan Stanley	$156 million	Netherlands
Indo-Suez Himalayan Fund	Canbank — Indo-Suez Asia Investment Services	$100 million	London

This was undoubtedly a result of the government's policy of creeping devaluation of the Indian currency during that period.

The decision to make the rupee partly-convertible may not have reduced this currency risk. But at least the international investor will not be caught unawares by any sudden devaluation. A minor saving grace.

Another problem that persists is that it is yet unclear whether the NAVs are to be calculated at the official or the market rates. So also for the amount to be eventually redeemed to the investor. The worst is a combination where the NAV is calculated at the official rate and the investor is paid at a lower market rate at the time of divestment. This grey area is said to be a persisting problem in evaluating the true worth of the funds.

■ **The tax regime.** To reduce the comparative disadvantage that India country funds faced because of the high levels of taxation, the finance minister slashed rates during his first budget. "The comparative national tax structure is one of the key factors affecting the direction of international financial flows," Manmohan Singh had said then by way of explanation.

As a result, Singh slashed the tax on offshore fund dividends from 25% to 10% and that on long-term capital gains from 45% to 10%. Yet, that has not done away with the disadvantage the India funds face. According to Verma, most of the major competing emerging markets, with the exception of Taiwan, have no tax at all on such dividends and profits. So the tax structure continues to be an obstacle in the growth path of the India funds.

■ **India's image.** The country, unfortunately, continues to be an unknown factor as far as the international investing community is concerned. "The image of India has to be improved urgently and the virtues of its economy have to be highlighted so as to rope in more international capital," argues Credit Rating & Investment Services (India) Ltd (Crisil) managing director Pradip Shah. However, he adds, this problem will be reduced once India's blue-chip companies approach the Euromarkets for investible funds. "The fallout of such moves will be that the focus will shift to India. That will be a major breakthrough," he says.

A combination of these factors has made the Indian offshore funds relatively less attractive to the international financial institutions and pension funds (which have absorbed 95% of the total fund corpus). But though all these problems persist, one thing is sure. They are getting reduced. That may be one of the reasons why the discounts on fund NAVs have been pared over the past few weeks.

But the very existence of such discounts is an important reason why any new offshore fund is expected to falter at the takeoff stage. That is precisely why, despite the long line of hopefuls, not a single new India Fund has been floated since mid-1990. "Why should anybody invest in a fresh fund when the existing ones are available at a discount? It is as simple as that," says a mutual fund source.

ACHARYA: *The market isn't overpriced as yet*



Low yield levels. There is another important reason why the international investor may shun any new Indian offshore fund. What attracts any investor is either yields or capital appreciation. The current yield levels on the local bourses are at an abysmal 0.5%. The only profitable alternative is capital appreciation.

The Indian stockmarkets, however, continue to be overpriced. Among the competing emerging markets, only Venezuela and Argentina have higher price-earning ratios. All the others are far better bargains for the foreign fund manager. "We entered the market when the Sensex was in the 400-700 range and so have done well. But the new funds will face problems at these prices," says Verma. Canbank Mutual Fund managing director B.R. Acharya disagrees. "International fund managers I met recently are still interested in this country. The market may still not be overpriced," he says.

He has a point. For, despite the various problems, India could still have a lot of profitable opportunities to offer. And given the fact that it is the last major emerging market to open up, most fund managers will be averse to totally missing the action. "I don't think India should be written off," says Shah.

That's true. But what is equally important is that even if its various financial instruments can harness a small part of the total funds available internationally, Indian foreign exchange reserves will shoot up. According to a World Bank study, portfolio investment in the emerging markets will rise from the current level of $20 billion to a massive $100 billion by 2000.

Most fund managers in the recession-hit West want to diversify their portfolios. The emerging markets are the current hot favourites.

India too is bound to figure in any such calculations. The question is to what extent. For, entry into and exit from the Indian capital markets still pose problems for the hard-cash-laden international institutional investor. The report card of the India country funds shows just that.

□ Niranjan Rajadhyaksha

NEWS BRIEFS

■ The Reserve Bank of India (**RBI**) is reported to be considering a proposal to give itself the power to regulate the operations of bank-sponsored mutual funds through greater coordination with the Securities & Exchange Board of India (Sebi).

■ The state finance corporations and the industrial development corporations have been told by the RBI to reduce their dependence on the Industrial Development Bank of India (**IDBI**) for refinance by setting up mutual funds or other types of arrangements to mobilise resources.

■ The finance ministry has clarified that the amendment made in the finance bill to abolish the tax deduction at source (**TDS**) on time deposits will come into effect only from 1 June. Accordingly, TDS by banks will continue up to 31 May.

■ RBI governor S. Venkitaramanan has put forward a proposal to set a **legal limit** on the government's borrowings from the central bank in terms of a percentage of the gross domestic product.



VENKITARAMANAN: *Mooting ways to curtail budgetary deficit*

■ The RBI is to soon set up a subsidiary to administer the **gold bond scheme** which is scheduled to come into effect from 1 May. The gold collected under the scheme will be deposited abroad so as to avail hard currency loans at lower costs. The loan will then be lent through banks to finance capital goods imports and meet other foreign exchange needs of the corporate sector.

■ The Union government is reported to be considering a proposal to create a **primary market** for government securities, says *The Observer of Business & Politics*. The RBI is reported to be working out the modalities of the scheme.

■ The Bombay stock exchange (**BSE**) has decided to admit financial institutions (FIs), the SBI, nationalised banks, and their subsidiaries as members of the exchange. The eligible financial corporations will be required to pay an entrance fee of Rs 1.10 crore, an admission fee of Rs 2 lakh and an annual subscription of Rs 10,000. The governing board of the BSE has also laid down certain other guidelines relating to the operations of these financial corporations in the exchange.

■ The Industrial Credit & Investment Corp of India (**ICICI**) has started offering project advisory services to foreign investors.

■ Following the Union government's decision to hike the **interest rates** offered on its new 15-year loans to 12.5%, the banking sector is reported to have incurred losses worth Rs 3,400 crore in their securities portfolios, says *Financial Express*.

■ The RBI has removed the stipulation on FIs and foreign exchange dealers for release of **foreign exchange**. Both FIs and foreign exchange dealers will henceforth be allowed to release unlimited foreign exchange. Hitherto, FIs were allowed to extend credit facilities only up to US $5 million out of the foreign currency loans and credit lines available. Foreign exchange dealers could release only up to Rs 50 lakh for import of capital goods.

■ Following the demand, particularly from the banking sector, for the restoration of some of the tax concessions on **saving instruments** proposed to be withdrawn in the 1992-93 budget, finance minister Manmohan Singh has said he will examine the proposal to retain concessions under sections 80CCA, 80CCB and 80L of the Income-Tax Act.

■ The various **unions** in the banking sector have refused to hold talks with the government over the implementation of the Narasimham Committee's recommendations.

■ The SBI and the Dubai-based Emirates International Bank are reported to be the main bidders for the Bombay branch of the Bank of Credit & Commerce International (**BCCI**), which is up for sale.

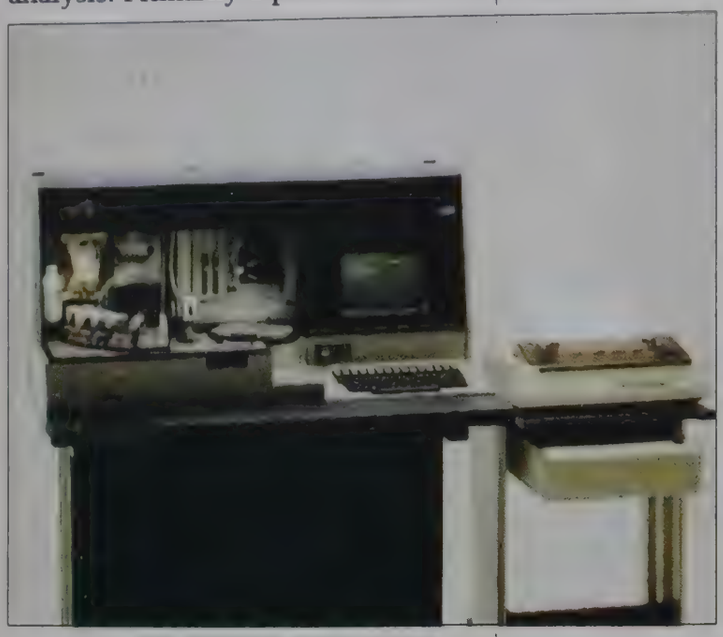
■ **Sebi** has put forward a suggestion that public issues by existing limited companies be fully underwritten. It has suggested that every issue have at least three principal underwriters who can distribute their risk by sub-underwriting their quota.

■ **Priority sector advances** by banks fell from Rs 5,732 crore in 1989-90 to Rs 2,495 crore in 1990-91, according to a RBI report on the 'Trend and progress of banking in India 1990-91.'

■ Some of the top **foreign banks** operating in the country have been granted permission to open branches in non-metropolitan centres. Accordingly, while ANZ Grindlays Bank will soon open a branch in Ahmedabad, Citibank will move into Hyderabad, Standard Chartered Bank into Pune and Hongkong & Shangai Bank into Bangalore, says *The Observer of Business & Politics*. The RBI is also reported to be in the process of allowing new foreign banks to open representative offices. One such bank which has received the RBI nod is Austrian bank Reiffeisen Zentral, which will set up office in New Delhi.

TIEUPS ON OFFER

Finnish company Kone Instruments has developed Kone Specific, a fully automated, discrete and selective chemistry analyser for water testing and environmental analysis. Primarily a photometric



clinical chemistry analyser, it is easy to adapt to water (natural, drinking, industrial process or waste water), claims the company. Kone Specific's complete set of parameters for each application allows the user full control over the way in which the test is performed. The parameters are flexible, allowing for up to four reagent additions per test. The test selection can be expanded up to 48 user definable tests. Multiple testing with minimum reagent consumption and waste is provided by the unique multi-cell cuvettes with the final measurement volume of 100-200 ul.

Contact: Kone Instruments, Ruukintie 18, SF-02320, Espoo, Finland. Fax: (0)801 1082.

A Basle (Switzerland)-based company has designed and supplies standardized vacuum systems as well as solutions tuned to particular requirements for wet processes in pharmaceutical and chemical engineering such as drying, distillation and evaporation. The systems, Apovac and Combivac, enable the evacuation of gases and solvent vapours from the processes mentioned above. They have fully-closed circuits, liquid-ring vacuum pumps complete with effective condensing equipment, and the solvent condensates from the process can be used as system ring liquid and simultaneously recovered. The coolants are circulated separately to avoid contamination, and the systems correspond to the requirements of the chemical industry. Combivac types have additional preliminary stages, such as root-blowers and gas ejectors, which are supplemented to the Apovac system.

Contact: *Swiss News* (enquiry No 355), consulate general of Switzerland, Manek Mahal, 90 Veer Nariman Road, Bombay 400 020.

For the metal, stone, chemical and wood-working industries in particular, powerful ventilators are the driving force behind many air systems. The most varied demands are made on fans, depending on the field of application. However, Austrian company Scheuch Lufttechnische Anlagen has a comprehensive range of unilateral suction radial fans. They can be used for transporting clean or dust-laden air as well as for poisonous or explosive gas mixtures and to convey chips or fibrous materials.

Special designs guarantee the serviceability of these fans even under extreme conditions of use. They can be manufactured resistant to hot gas, or rubberised or plastic-coated for chemically aggressive media.

Contact: Lufttechnische Anlagen Alois Scheuch GesmbH, Am Burgfried 14, A-4910 Ried im, Innkreis, Austria. Fax: 07752/235137.

Taiwan-based Yon Don Enterprise, a company with more than 17 years' experience in medical equipment research and development, has developed an infant incubator model YD-F-285SCA. The YD-F offers control over air circulation and oxygen concentration levels, uniform heat distribution, a built-in fail-proof alarm system and a wide range of humidity levels. It is also simple to use and easy to clean claims the company.

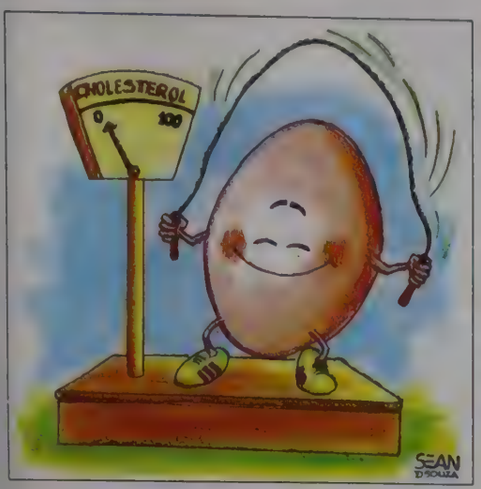
The SCA (Infant Servo Control Alarm System) proportional power unit controls the infant's skin temperature and that of the air inside the incubator. The alarm system incorporates a buzzer, a flashing red light and a display which indicates the nature of the emergency. The microprocessor-controlled system can accommodate any number of emergencies simultaneously.

Contact: Yon Don Enterprise, 2F, No 34 Lane 80, Nan Kang Road, Sec 3, Taipei, Taiwan. Telex: 13522 YADALA TAIPEI. Fax: 886-2-786-5539. Tel: (02)783-9583, 785-9800/9895.

French company Hydropulser International has developed a hydraulic device — Hydropulser — which can lead to substantial savings in energy. With this device, it is possible to raise quantities of water continuously and automatically using nothing more than the energy generated by the movement of the water plus the gadget's own inertia.

The Hydropulser operates according to the physical principle known as 'water hammer.' Unlike other moto-pumps, it does not require any kind of motor or other external energy source and, as a result, is practically maintenance-free. It can use any height of waterfall (even just a metre), with a flow of more than 100 litres per second. The water is lifted up to 15 times the height of the actual drop used by the device.

Contact: Hydropulser International, 151 Bld Victor Hugo, 92210 Clichy, France. Tel: (33)(1)47300284. Fax: (33)(1)47304092.



DIET EGGS

High cholesterol levels often prevent egg-lovers from eating too much of their favourite food. But now they can indulge. A German and a US firm are to soon start marketing eggs with 80% of the cholesterol removed from the normal egg.

These liquid eggs, called 'Simply Eggs,' are nutritionally identical to the real stuff except for the reduced cholesterol content. The cholesterol is removed using a patented technology developed by the German firm. First, a modified starch called beta cyclodextran (BCD) is mixed with egg yolk. BCD combines with the cholesterol in the yolk and the mixture is removed by a centrifuge. Then the whites are added to the yolk residues. The pasteurised product looks like whipped eggs.

NEW DRUG DELIVERY METHOD

Elderly patients are quite often a source of worry for doctors. This is so because the former often tend to skip intakes of prescribed oral pills. A researcher at the University of Dayton (US), Prafulla K. Bajpai, has come up with a patented drug delivery system that could provide a solution to this problem. His capsules, made from calcium phosphate, can be implanted under the patient's skin and slowly release the drugs into the body over a predetermined period of time.

This, however, is not the first time that drugs are being administered in such a fashion. Similar systems made of plastics have been tried out earlier, but such capsules had to be surgically removed after their purpose had been served. What is of special importance in the new capsules is that these are gradually broken down and absorbed into the human skin.

COAL-FIRED TURBINE

The Allison gas turbine division of the US-based General Motors Corp has made a breakthrough by operating a 4 mw gas turbine on finely-ground coal. Hitherto, attempts to use coal had failed as the tiny ash particles from the fuel eroded the turbine blades or plugged the flow passages.

In the three-stage process, coal is partially burned at 1,800°C in an air-lean atmosphere to limit nitrogen oxide formation to less than 25 ppm (particles per million), comparable to the best natural gas-fired turbines. The fuel-rich gases are doused with water, forming a slurry. This freezes the amount of nitrogen oxides and solidifies the coal ash which can then be removed before it harms the turbine. Combustion is then completed in the third fuel-lean zone before the gases pass on to the turbine.

ETHANOL FROM CELLULOSE

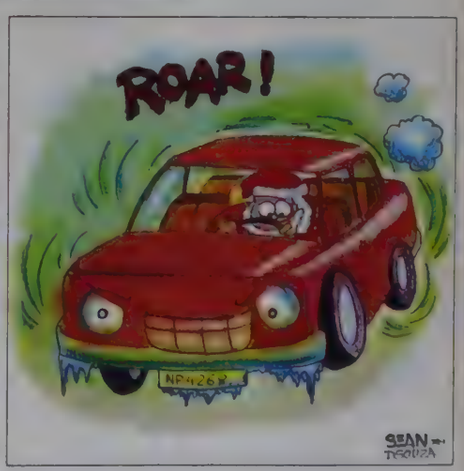
US-based Raphael Katzen Associates has commercialised a simultaneous saccharification and fermentation (SSF) process to obtain ethanol from the biconversion of cellulosic and lignocellulosic wastes. The SSF process works faster because enzyme conversion of cellulose to glucose followed by glucose fermentation to ethanol are both done in the same process in contrast to conventional processing where separate vessels are used. The ethanol yield was found to be about 80 gallons per tonne of waste as against 60-65 gallons in the batch operation. Cellulosic and lignocellulosic wastes are a problem associated with industrial alcohol distilleries as well as paper and pulp mills.

DETOXIFYING ASBESTOS

Researchers at the Georgia Tech's Construction Research Centre have conducted an experiment, the results of which show that it is now possible to melt cancer-causing asbestos fibres into a glass-like material using plasma or ionised gas.

During testing, 29 pounds of pure chrysotile asbestos was melted with a 300 kw plasma arc torch. This left less than a 1% trace of microscopic asbestos fibre. This indicates that total destruction of asbestos fibres is possible if the material is heated for a longer time. Due to the harmless nature of the material after heating, the end-product can be sold as gravel or moulded into bricks to avoid the use of landfill space.

CUTTING TOXIC FUMES



This might be of particular interest to environmentalists. Many might not be aware that pollution from car exhausts is maximum on a cold morning when the driver repeatedly tries the ignition key to bring the vehicle to life. This is so because the catalysts which are supposed to cut emissions are effective only at full operating temperature.

Engineers from the Ford Research Centre at Danton near London along with a team from Cambridge University are developing a new method which banks on 'firing up' the catalytic converter to make it active in a fraction of the time normally taken. Called exhaust gas ignition (EGI), the new method involves heating the catalysts to more than 360°C by briefly igniting a controlled concentration of hydrogen which is produced within the engine's exhaust gases in an after-burner just ahead of the catalyst. The heat output from the after-burner is to the order of 7,000 watts, which is sufficient to heat the catalyst in a few seconds.

SUPERSTEEL



A US-based firm is reported to have developed a new variety of steel having a structure similar to the soccer ball-shaped fullerenes-carbon molecules. The material, called Rhondite, is chemically similar to conventional steel. But its structure is different in that the carbon molecules are linked in chains wrapped around iron atoms. This cable-like structure, in turn, wraps around a larger core of iron to form the new steel. The advantage the new structure offers is that Rhondite is one-and-a-half times stronger than conventional steel. Besides, it is 300% more durable than the other high-performance metals. It is also cheaper to manufacture than conventional steel.

ENERGY-SAVING METHOD

Kenneth Suslick, a chemistry professor at the University of Illinois (US), has invented a process for making amorphous iron from solution. The new process saves considerable energy compared to the conventional method which involves melting followed by instantaneous cooling of metals. Amorphous metals are useful as corrosion-resistant coatings, ultrareaction catalysts, highly magnetic materials and for making power transformers.

The new process involves treating a solution of iron pentacarbonyl with high-intensity ultrasound waves to produce bubbles via cavitation. Such tiny bubbles form and collapse, rapidly creating hotspots of 5,000° Kelvin, a temperature close to that found on the Sun's surface. The rapid heating and cooling produces amorphous iron which is 96% pure by weight. In contrast, conventional methods require boron and other alloying metals to prevent crystallisation, cutting purity to 80%, and are energy-intensive.

RECONSTITUTING SPENT PLASTICS

The Institut fur Kunststoffverarbeitung (IKV) at Aachen (Germany) has developed a process for reconstituting waste thermoplastics into the original monomers. This is done by converting waste thermoplastics into a syngas mixture. Here, spent plastics are processed in a twin-screw extruder at more than 400°C, fracturing the polymer chains into paraffins and other oil-like substances. Contaminants like chlorine from polyvinyl chloride are removed using a cascade of two extruders, where the exit temperature of the first extruder is high enough to form hydrogen chloride (which is captured) but not high enough to form the oils.

The extrudates are then compressed to a pressure of 100 and 150 atmospheres and fed to a standard non-catalytic gasifier at 1,400°C and 50 atmospheres. The resulting carbon monoxide-hydrogen mixture can then be processed normally into virgin monomers. In laboratory trials, polypropylene, polyethylene and polyvinyl chloride have all been recycled at a throughput up to 6 kgs per hour.

NEW PROCESS FOR FERTILISER

Germany-based Potash Research Institute has developed a process whereby fertiliser-grade potassium sulphate can be made by reacting potassium chloride with sodium sulphate. This process avoids the cost of neutralising hydrochloric acid or removing magnesium chloride from process waste water necessary with the current method based on reacting potassium chloride with either sulphuric acid or magnesium sulphate.

The key to this new process is an integrated crystalliser-clarifier. The clarifier keeps the solid concentration in the reaction section between 40% and 50%, while a novel reaction-crystalliser with a central draft tube to adjust supersaturation levels keep conversion rates close to the maximum. The process operates at ambient temperature consuming 0.8 tonnes each of potassium chloride and sodium sulphate to produce one tonne of potassium sulphate.

DETECTING RADIATION



British scientists recently discovered that sapphires behave in a similar fashion to steel under bombardment from reactor neutrons, with the additional advantage that these crystals change colour. Now, these unique properties of sapphires are being used in a new technique to gauge the neutron damage effects sustained by reactor materials in nuclear power stations.

Pre-calibrated sapphire crystals are placed for varying periods of time within a reactor, where they would be irradiated by the neutrons emanating from the core of the reactor. During irradiation the crystals change colour from white to green-yellow, yellow and finally dark brown. The crystals are then sent to an analytical laboratory where a spectrophotometer records the precise colour change. This enables the accurate dose of radiation to be calculated.

□ K.A. Neelakantan

The author is a Bombay-based freelance technical journalist.

FREE FOR ALL?

In 1989, Vinay Rai of Usha Rectifier floated a Rs 702 crore convertible debentures issue to fund one of his pipe-dreams. The pre-issue price of the Usha Rectifier scrip was around Rs 325. Barely five-six months after the public issue closed, the scrip plunged 50%. Earlier, Oswal Agro had been on a similar roller coaster. And there have been many others in the business of seducing investors to subscribe to an issue with a high premium component by artificially jacking up the market price.

With the fixation of premium on issues now being left to the companies themselves, will one see many more encores now? True, the Securities & Exchange Board of India (Sebi) will be filling in for the soon-to-be-wound-up controller of capital issues (CCI), but will the free pricing of capital issues translate into a free for all?

While some sort of indication of the eventual guidelines is available now, the answer is still not clear. Basically, it is all boiling down to the question of who is going to carry the can.

In an earlier regime, the CCI just okayed a prospectus and disclaimed all responsibility for its contents. The merchant bankers and the underwriters couldn't care less. The stock exchanges had too much on their plate. And it was the investor who invariably ended up being sold a pup.

But there is a better watchdog — Sebi — around today. And it has suggested some measures which could work. But it is not as though everybody is happy about them.

For instance, Sebi wants the underwriters to the issue to provide a safety net for investors. This means that in case the market price drops to 20-40% of the issue price within, say, six months of the issue, the underwriters will have to offer to buy back the shares at a predetermined price. "There should be an equitable sharing of risk in an imperfect market replete with unequal players," says Sebi chairman G.V. Ramakrishna.

No way, say most merchant bankers and underwriters. "The safety net concept is nonsense. The investor should realise that equity is a risk avenue," says a merchant banker in a foreign bank. Agrees an underwriter: "Why should we stick our necks out if, to borrow GVR's words, the market is imperfect?"

There are, however, some merchant bankers and underwriters (and they are the only ones willing to be quoted) who are receptive to the safety norm. Says Kotak Mahindra vice-president Anand Desai: "If a merchant banker evaluates a particular company and thinks the scrip should be priced at x and, subsequently, it dips below x, he should be happy to lap up the scrip unless, of course, the banker has got his arithmetic wrong." Adds another merchant banker: "This song and dance about the safety net is made by people who thought they could make a killing (by pricing the scrip high) in collusion with the promoters. If the scrip is correctly priced, why should they be worried?"



DESAI: *In favour of the safety net for investors*

And pricing is what will make or break an issue. Till date, the CCI used to fix a premium based on a formula which mainly took into account historical data, that is, book value and market price. Now, with the CCI expected to survive only a couple of months, the job of getting the best price for the promoter and also getting the issue underwritten rests with the merchant banker.

"This whole exercise will definitely fetch us more money than at present, but it's going to be a tough job convincing the underwriters and the promoters to agree on a specific premium," says a merchant banker. According to Desai, the highest price to the promoter need not necessarily be the best price, for the merchant bankers will have to strike a balance between what the promoter needs, to what extent the underwriters are willing to act as cushions and what the merchant banker perceives is the right price.

There are several other issues still to be thrashed out. Which are the companies which will be allowed free market pricing? Can an existing private limited company freely price its maiden public issue? Or can a new company, with no track record for the investor to base his investment decision on, be allowed free pricing? Well, why not? For, in a changed scenario, a new company with an excellent project, which floats a public issue at par, will not be able to compete with an existing company kicking off a similar venture, which floats a market-driven premium issue. The interest burden and the cost of servicing the equity will be killing in the case of the former, while the latter can finance a major chunk of the project cost through the premium component.

But free pricing will introduce one key change; it will usher in an era of equity-based, debt-free project funding. And one thing it will put paid to is the era of absurd oversubscriptions when applying for new issues has become a lottery.

What free pricing ultimately implies is that the days of the 4,000-times-oversubscribed Tata Timkens are over. Hopefully, one can say the same of the Usha Rectifiers too.

□ Roy Pinto

THE MARKETMAKERS

Trading is about to commence on the Bombay stock exchange (BSE) when a *dhoti*-clad individual enters, bent in thought. He walks up to a particular spot known as the Reliance counter and before he can even make himself comfortable, a horde pounces upon him. No, he is not a defaulting broker. Nor is he a Harshad Mehta being hassled for tips.

Meet the jobber. An enigma of sorts to the layman he is, according to stockmarket operators, the most important individual in the trading ring. "If there weren't any jobbers, it would have been difficult for us to do business," says BSE broker Priyakant Dalal.



ARVIND SHAH: *On the job*

Role of middleman. What really is his job? "He plays the role of a market-maker, and basically he's a middleman between two brokers. With so many shares listed on the stock exchange, it would be difficult for two brokers wanting to make a deal in a particular scrip to come in contact with each other. That's where a jobber steps in," says Arvind Shah, one of the biggest jobbers on the BSE. He explains: "A card-holding broker can operate with seven persons inside the trading ring. Of the seven, some deal on behalf of his clients. Some do jobbing."

Adds BSE jobber Indravadan Shah: "When a sub-broker or a broker offers two-way quotes (at which he's willing to buy and sell) for a scrip — whether he has them in his possession or not — depending on the demand-supply situation, he's playing the role of a jobber."

If that is so, can one differentiate a jobber from a broker? Answers jobber-cum-broker N.C. Jain: "Not really. A broker can don the garb of a jobber too by taking on that function. When he does that, he won't be doing business for financial institutions or for his customers, he'll be working for himself only."

The jobbing fraternity has recently attracted some flak. One criticism relates to the enormous spread jobbers expect while dealing for a particular scrip. Kirit Shah of Bhagwandas & Gordhandas — a jobbing and underwriting firm — asks why that shouldn't be the case. Says he: "When a jobber parts with shares to a broker, it is on the assumption that he'll find a seller to bail him out. Now if buyers are outnumbering sellers, where is he going to cover his short position. So, he'll give prices which give him a greater margin and, in the process, also discourage a buyer from making purchases."

Adds Bombay-based Kaushik Shah who does jobbing mainly for Calcutta stock exchange-listed shares: "In normal times, we keep a margin of 5-10%. In a bullish market, our selling price is always on the higher side and in a bearish market our buying price is lower. This is done to achieve some equilibrium between our sales and purchases."

Another complaint is that jobbers hold on to their fiefdoms for dear life. Says a BSE broker: "None of the jobbers can bear to see any another person entering their territories. If some dare to, the jobbers see to it that the person burns his fingers so badly that he will not indulge in jobbing. On top of it, if we are buying good scrips for long-term investment, they force us to reveal the information and buy some shares for themselves." Most brokers say that jobbers should be appointed by the BSE board and their licences should be renewed every year as is done in the US.

Important factors. Whether their contentions are right or wrong, there's no doubt that the jobber's job is also fraught with risk. Kirit Shah highlights some factors a jobber has to consider: "The first 10 minutes of each trading session are the most crucial. For, that's the time a jobber can get fooled as he doesn't know the market trend. Suppose Nemish Shah wants to sell 1 lakh shares of Great Eastern Shipping. His sub-broker will come to me and ask for a quote. Suppose I say Rs 150/155 (Rs 150 is my buying price and Rs 155 my selling price). He'll buy 1 lakh Great Eastern shares from me, thus setting off a bullish trend. Now other buyers will also come to me. Yes, with every subsequent deal, I will now be quoting a higher price. Seeing this, Nemish's sub-broker will once again ask me my quote and, since I assume that he's come to buy, I will naturally quote a much higher price, say Rs 185/190. On hearing these higher prices, he'll dump his 2 lakh shares (the 1 lakh he initially wanted to sell plus the 1 lakh he bought from me) onto me. And I'll be in no position to refuse because by stating my buying price I have committed myself."

The second factor a jobber has to consider is the trend on the other exchanges. Says Kaushik Shah: "Nowadays operators have become very smart and go in for arbitrage (buying at a lower price from one centre and selling at another to take advantage of the price differential) in a big way."

A jobber also has to keep in mind the buyer's background (meaning firm), besides knowing whether the individual is interested in only getting a quote or also a transaction. Points out jobber Pratap Shah: "The sign of a successful jobber is his ability to read a person's face. He should be able to recollect whether that person had earlier bought shares from or sold to him. He should also keep in mind the liquidity in that scrip."

For those who fit the bill right, there's moolah for the asking. Some brokers like Arvind Shah, Kaushik Shah, Kirit Shah, Ashok Samani and D.A. Shah, who function as jobbers in nearly 300 scrips, reportedly earn Rs 10 lakh a day each in bullish times. A paying job, this jobbers' one.

□ Jiten Mehta



From trading to manufacturing. That's the path chosen by B.K. Patodia of Perfect Spinners Ltd (PSL), an exporter of cotton yarn. Though not an export-oriented unit (EOU), PSL has already shipped out Rs 12 crore worth of goods till end-1991 and expects to close the year with a turnover of Rs 16 crore.

The company, promoted by Patodia who has three decades of experience in the cotton yarn industry, is part of GTN Textiles, claimed to be "the largest mill manufacturer/exporter of cotton yarn in India."

PSL is embarking on an expansion plan by hiking its capacity by 4,800 spindles per annum at a cost of Rs 8.9 crore. To part-finance the project, the company is coming out with an at-par equity issue in mid-April totalling Rs 4.95 crore.

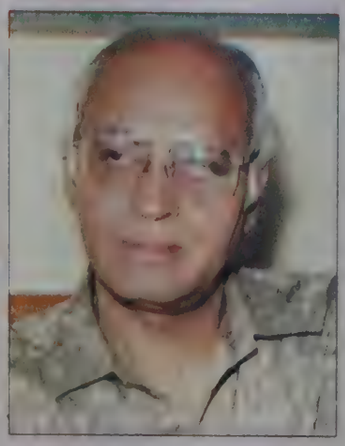


Diversification is the buzzword in the Bhalotia group these days. With a good reputation in timber trading, the group is now making a foray into granite manufacturing and exports through its flagship company, BTW Industries.

Says BTW Industries director G.L. Bansal: "The total capital investment is of Rs 63 crore, of which Rs 38 crore is for a 100% export-oriented granite unit being set up at Jeypore in Orissa and the rest is for a 100% export-oriented activated carbon project being set up in Mangalore."

The granite unit will manufacture granite tiles, slabs and monuments in two phases. The first phase involves a production capacity of 60,000 square metres of tiles, while the second phase, involving the addition of 1.85 lakh square metres, is under implementation.

To part-finance its plans, the company is entering the capital market in April-end with an at-par equity issue totalling Rs 18 crore. Production is expected to begin in 1993.



His aim is to make it to the top league. So N.P. Panjwani will need more than just luck to realise his dream. His unit Panjwani Packaging is at present engaged in the manufacture of non-toxic food grade PVC, HMHD twist wrap films, plastic metallised films and laminated pouches.

Says Panjwani: "Our total installed capacity is just 576 tonnes per annum (tpa). The plant is situated at Ghatabillod in Madhya Pradesh." The company's products are used in the packaging of consumable goods like processed foods, pan masala, *zarda*, tea, spices, shampoo and other consumer items. It has tapped the export market successfully and tied up with a Thailand-based firm.

To cater to this value-added export market, the company is setting up another plant at Vaghodia near Baroda with an installed capacity of 1,300 tpa of various films. To part-finance the project, the company is entering the capital market with an at-par equity issue aggregating Rs 1.80 crore.



Kerala-based Concert Spices & Exports plans to capture the lucrative spices market. Says managing director Mathew Anthraper: "The company amalgamated with Oleoresins & Chemicals in January and has commenced production. The unit will have no gestation period." The plant is situated at Trichur.

The company is now expanding its capacity by 1,300 tpa at its existing site, and has tied up with a German firm. The proposed expansion will be completed in July. The company, to part-finance the Rs 3.85 crore project, is entering the capital market in May with an at-par equity issue aggregating Rs 2.31 crore.



Marriages between public sector undertakings and private sector units are no longer a strange sight. Herdillia Polymers Ltd (HPL), a joint venture between Herdillia Chemicals Ltd (HCL) and Maharashtra Petrochemicals Corp Ltd (MPCL), is also joining the gang.

Says HPL chairman B.K. Chougule: "The day-to-day running of the plant will be controlled by Herdillia Chemicals." The company plans to manufacture 5,000 tonnes of polybutenes, the raw materials for which will be supplied by Nocil's Thane (Maharashtra) plant located adjacent to HPL. While HCL will have a 25% equity stake, MPCL's stake will be 26%.

The market for polybutenes, used in the manufacture of lubricating oil additives, cable jelly and impregnants for power cables, is growing at 10% per annum.

To part-finance the Rs 21.5 crore project, the company is coming out with an at-par equity issue totalling Rs 2.83 crore in April-end.



Once a small-time iron trader, M.S. Minhas has come a long way. His Minhas Steels unit at Taloja (Maharashtra) will manufacture MS ingots, SS ingots and special alloy castings.

Says he: "As the plant is located near both the Nhava Sheva port and the local steel market, it is assured an adequate supply of scrap and sponge iron. Besides, the demand-supply gap is expected to widen to 10 million tonnes by the turn of the century." Minhas has a buyback agreement with foreign buyers for 60% of the plant's entire production.

Commercial production is expected to commence in April. The company is entering the capital market in May with an at-par equity issue aggregating Rs 3 crore. The company expects a turnover of Rs 10 crore for 1992-93, and that of Rs 24 crore in 1993-94.



To intensify its export efforts, Kushal Diamonds, promoted by Bakul Jhaveri, is entering the capital market with an at-par rights issue of 9.06 lakh equity shares of Rs 10 each.

Says managing director Jhaveri: "The rights shares are to be offered in the ratio of 30 shares for every 100 held. With this, the company's equity capital will go up to Rs 3.92 crore."

Jhaveri is also diversifying into the hotel/resort business, for which he is promoting a new company, Kushal Industries. Kushal Industries plans to set up a hotel at Mount Abu (Rajasthan) and a resort at Saputara (Gujarat) costing Rs 3 crore and Rs 2 crore respectively. To part-finance the project, the company is entering the capital market in May with an at-par equity issue aggregating Rs 2.40 crore.



It has been a comeback of sorts for Asian Electronics — a manufacturer of capacitors. Taken over as a sick company by non-resident Indian (NRI) Suresh Shah, the company has since turned the corner.

Says chairman Suresh Shah: "After our recovery, we have now embarked on an expansion-cum-modernisation programme, which will be completed in three phases. The first two phases involve the installation of balancing and testing equipment at a capital expenditure of Rs 1.49 crore, to be financed from internal accruals and loans. The third phase — currently being implemented — involves the installation of an additional plant to manufacture capacitors."

To part-finance the programme, the company is coming out with a rights issue of 14% fully convertible debentures (FCDs — 1:1 ratio) worth Rs 3 crore. The FCDs have a face value of Rs 500 each and will be converted into 10 equity shares of Rs 10 each at a premium of Rs 40 per share nine months after allotment.

TWO GOOD PICKS

Instrumental in introducing the fountain pen to India way back in 1945, **Ravlon Pen Co** has come a long way since then. The company was promoted by the Mhatres with equity participation from the State Industrial & Investment Corp of Maharashtra (Sicom). The other companies in the group are Papermaster Pens, which manufactures ball pens and ball pen parts, and Mhatre Pen & Plastic Industries which makes ball pen refills and fountain pens.

Ravlon kicked off with three ball point tip-making machines; today, it has 20 machines and has managed to grab 20-25% of the ball point tip market.

Ravlon now plans to cater to the global market via a 100% export-oriented unit (EOU) for the manufacture of ball point tips at the Maharashtra Industrial Development Corp (MIDC) estate at Raigad. The project, with an installed capacity of 115.20 crore ball point tips and estimated to cost Rs 11.96 crore, has been jointly promoted by the Mhatres and Sicom.

The import content in ball point tip-making is minuscule while, on the other hand, the whole pen requires substantial imports. In India, the manufacture of tips is restricted to a few large players, with most of them making their own refills. Ravlon and another Calcutta-based firm enjoy the privilege of being the only two specialist tip manufacturers. Both cater to the refill makers in the large unorganised sector.

BUYBACK GUARANTEE

Ravlon has entered into a technical collaboration with Contecma of Switzerland for supply of machinery, technical guidelines as well as quality control. The agreement includes a 100% production buyback guarantee for five years, with a price revision every six months. Contecma is engaged in the manufacture and marketing of precision machines and has supplied tip-making machines to various writing instrument markets. Its clientele includes Pilot of Japan, Reynolds of France, Papermate of the US, to name a few.

Financially, Ravlon has been gaining in strength. For the year ended 31 March 1991, turnover stood at Rs 3.05 crore, gross profit at Rs 23 lakh and net profit at Rs 14 lakh on an equity capital of Rs 44 lakh.

To part-finance its 100% ball point tip EOU, Ravlon came up with a Rs 4.3 crore issue in December 1991, which had a public component of Rs 2.4 crore. Consequently, the company's equity capital shot up to Rs 4.74 crore. The issue was oversubscribed about 35 times, pushing up the equity further to Rs 5.36 crore.

The shares of Ravlon Pen and Austin Engineering, currently quoting at Rs 85 and Rs 130 respectively, appear good long-term bets

With the directors predicting quantum jumps in earnings in the years to come the Ravlon scrip, currently quoting around Rs 85, appears a good long-term buy at declines.

Another long-term bet is **Austin Engineering**. A public limited company since 14 November 1985, Austin's product line includes ballbearings, cylindrical, needle, spherical and tape roller bearings.

In 1986 the Austin plant, located at Junagadh (Rajasthan), had a capacity of 7.40 lakh bearings per annum. This was subsequently expanded in phases to 18.50 lakh bearings as on 30 September 1991.

Austin manufactures more than 800 types of bearings, 60% of which are import substitutes. Its markets comprise original equipment manufacturers, actual users, the defence department, state road transport corporations etc.

CLIFTON DESILVA



Since going public, Austin Engineering has been showing impressive results year after year. At the time of entering the capital markets, the company had promised a 17% dividend for the year ended 31 October 1986, which it duly doled out. However, it did skip dividend for the 17-month period ended March 1988.

For the year to March 1991, Austin recorded a turnover of Rs 18.86 crore as against the previous year's Rs 14.04 crore — a 34% growth rate. Gross profit too jumped 34% to Rs 3.17 crore, while profit at the net level climbed 25%, despite higher taxation, to Rs 1.88 crore. Earning per share (EPS) worked out to Rs 12.62 and a 30% dividend was declared. The net worth per share as on 31 March 1991 stood at Rs 37.85.

For the six months ended September 1991, gross sales and other income increased from Rs 8.57 crore in the previous period to Rs 10.96 crore. Net profit rose to Rs 1.26 crore (Rs 90.18 lakh) and the EPS was placed at Rs 8.52.

The impressive gains on the financial front have been achieved thanks to consistent innovation and maintenance of stringent quality control. Apart from contributing towards the import substitution of bearings in the country, Austin has also made significant inroads on the export front. And in order to meet the growing demand in both markets, the company has expanded its plant capacity to 27 lakh bearings per annum. The estimated cost: Rs 4 crore.

With the benefits of this expansion expected to accrue in the years to come, the shares of Austin Engineering at Rs 130 appear attractive for long-term investment.

• *The author is a Bombay-based investment manager.*

A FEEDER PLAN

M. D. MUKHI



If you are one of those investors with a fine sense of smell and a sharp eye for a good investment scheme, there must have been occasions when you have rushed for your cheque book to apply for an attractive Unit Trust of India (UTI) offering only to find to your utter dismay that you are not left with an adequate bank balance.

However, now with the introduction of the Omni Unit Plan (OUP) by UTI regular customers of this mutual fund need have no more occasion for such disappointment.

The open-ended OUP has been formulated with the objective of providing an inbuilt automatic facility to prospective investors whereby the funds can be parked for an interim period till the desired scheme is launched by UTI. Investments under this plan are then converted into the desired scheme.

Strictly speaking, the plan is not an investment scheme by itself but purely a feeder plan. The participant has to convert his holdings under this plan into another UTI scheme within a maximum period of 12 months. If this is not done, the invested amount will be returned with a dividend at the end of this period.

The face value of units under the plan is Rs 10. Applications should be made in multiples of Rs 1,000 subject to a minimum of Rs 1,000 per application. There is no limit on the maximum amount. The plan is an ongoing one and sales will be open throughout the year.

Only resident adult individuals can apply singly or jointly on their own behalf or on behalf of their minor children.

While applying for units under the OUP, the investor has to indicate his option to convert it into any one of the close-ended schemes such as Monthly Income Unit Scheme, Master Equity Plan, Deferred Income Unit Scheme etc. The option can however be changed once during the 12-month period before commencement of the first opted scheme. Once UTI implements the option already indicated, it will not be possible to change that option.

The order of the unitholders as appearing in the OUP will be continued in the opted scheme, when the funds are automatically transferred from the OUP on the very first day of the opted scheme.

UTI will pay a dividend of 9% per annum on the amount invested under the plan. The dividend will be calculated on a day-to-day basis and will be added to the original investment under the opted scheme. Any amount remaining after converting into units of the opted scheme will be paid back to the investor. The investor must remain under the OUP for a period of at least 15 days before conversion into another scheme.

Omni units neither enjoy repurchase facility nor can they be transferred.

Nomination facility is available and even minors can be nominated. The applicant may change the nomination at any time during the currency of the opted scheme. The nomination indicated in the form will continue to be valid under the opted scheme also. However, persons applying on behalf of minors cannot nominate nor can non-resident Indians be nominated without prior Reserve Bank of India (RBI) approval.

Participants in the plan can enjoy the following tax concessions:

- Income up to Rs 13,000 will be exempt from income tax under s.80L as per prevailing rules.
- There is no deduction of tax at source.
- Under s.5 of the Wealth Tax Act, 1957, investment in units along with other specified assets qualifies for exemption of wealth tax upto Rs 5 lakh.

For the past many years, UTI has won the confidence of the general investing public through their expertise, innovative structuring of schemes and investor-friendly approach. The introduction of OUP by UTI is yet another proof of its above attributes. As pointed out, the plan is not an investment scheme *per se*, but purely a feeder plan and an innovative intermediary instrument.

Instead of idling your funds in the current or savings account of a bank, and till UTI announces an attractive investment scheme, you can start earning 9% return on your savings during the interregnum. But then, you will be closing your doors to all other alternative schemes announced and offered by other mutual funds, which you may find even more attractive and need-based.

• *The author is a Bombay-based investment consultant.*

IN A NUTSHELL

Scheme: Omni Unit Plan. An open-ended, feeder plan launched by UTI, with an inbuilt automatic facility for conversion of funds from this plan to the desired UTI close-ended scheme within a period of 12 months, at the end of which the balance will be refunded with dividend.
Face value: Rs 10 per unit.
Minimum & maximum amounts investible: The applications should be made in multiples of Rs 1,000 subject to a minimum of Rs 1,000. There is no limit on the maximum amount.
Dividend: 9% pa, calculated on a day-to-day basis.
Eligibility: (1) Resident adult individuals; (2) minors, through parents/guardians.
Tax benefits: (1) No tax deduction at source; (2) income tax exemption under s.80L as per prevailing rules; (3) wealth tax exemption under s.5(1) up to an overall limit of Rs 5 lakh.
Other features: (1) Option indicated can be changed once during the 12-month period before the opted scheme commences; (2) repurchase facility not available; (3) transfers not allowed; (4) appointment of nominees, including minors, is permissible; (5) investor must remain under the plan for a minimum of 15 days before conversion into another scheme.

TRACTOR SCRIPS: MOVING AHEAD

RAAMDEO AGRAWAL

Tractor-manufacturing companies have always been clubbed along with automobile manufacturers in most financial databases. Something which is not entirely correct. For, unlike their two, three and four wheeler-making cousins, which are currently sputtering courtesy the recession, tractor outfits are reportedly moving ahead with great gusto. Sadly, in the midst of all the brouhaha about plummeting car, light commercial vehicle (LCV), and two-wheeler sales, the brilliant performances and bright prospects of tractor makers are not quite getting the right attention.

Basically, demand for tractors is dependent on the availability of bank credit. However, despite the credit squeeze in 1991-92, tractor sales were in top gear chalking up a 15% growth rate. If we take a longer timeframe (the past four years, for instance), then average demand growth was 13.5% and some 1.39 lakh vehicles were sold in 1990-91.

There aren't any indications of there being any let-up in this strong demand. The reason is pretty obvious: the tractor is going to increasingly emerge as the Indian farmer's main vehicle to bigger profits. This was not so until now and demand was limited, despite the country's huge agricultural base, due to:

- The low modernisation levels in Indian farmlands.
- Farmers' low purchasing power on account of unremunerative price realisations on produce.

However, the times are a-changing. No longer are cattle available at the cheap rates they once used to be. Secondly, in the past year, foodgrain prices have also been firming up, showing remarkable bullishness. The average realisation for wheat, paddy and coarse grains has shown an increase of above 30%. This firmness is likely to continue because the supply spigot is unlikely to be turned on overnight. On the contrary, the country has reached a stage wherein the government is thinking of importing modest quantities of wheat. Hence, mechanisation of farm practices is likely to get a boost in the near future. With this background and the probability of easier credit for farmers, the growth prospects of tractor companies appear very promising. Mahindra & Mahindra leads the players in the tractor field with Eicher Tractors, Escorts, Punjab Tractors and Tractors & Farm Equipment (Tafe) following in that order. Let's take a look at the first four companies.



A MAHINDRA TRACTOR: *Ploughing ahead*

Mahindra & Mahindra (M&M). A blue-chip company belonging to the Keshub Mahindra group, M&M is now regaining momentum. It is the numero uno in both tractors and jeeps. Last year, the company sold 26,884 tractors while offtake in the current year should be 30,000 units. The company is reported to have sold off its oil rig at a good profit. Then, its real estate business is building on its strong foundations.

On the new ventures front, M&M has tied up with Peugeot of France to upgrade its LCVs and introduce a passenger car. That, however, is in the future. But because of its bitter experience with diversification in the past, the present management (under the leadership of Anand Mahindra) is likely to concentrate on expanding tractor capacity and exploiting the full potential of the jeep in India and abroad.



M&M's gross margin in 1990-91 was 2.6% which is way below the industry average of 9-10%. (A Rs 52 crore interest charge pared down the gross margin.) But the company's recent steps to sell off its oil rig, the softening of effective interest rates for the corporate sector and a spurt in sales make the M&M share a promising buy at the current price of Rs 130.

Escorts Tractors. It is a new but well-established listed joint venture between Ford of the US and H.P. Nanda's Escorts. It is producing above its rated capacity. The company is doing exceedingly well and may report earnings well above face value. The prospects of a liberal payout and a strong financial base make the Escorts Tractors share a promising buy at the current price of Rs 225.

Punjab Tractors. It is the highest-priced tractor share and is on a very sound wicket. Benefits of an expanded capacity are likely to accrue in 1992-93. A low debt-equity ratio of 0.1 has helped it notch up an attractive bottomline, with a 10.4% gross margin. The company is a very strong bonus candidate. At the current price of Rs 500, it is discounting its 1991-92 earnings 23 times, which is quite reasonable. A good buy at dips.

Eicher Tractors. It is the second-largest producer of tractors and has been performing tremendously. It is the only company of its ilk to have given a bonus. A good portfolio candidate.

• *The author is a Bombay-based investment consultant.*

GOING STRONG

DEEPAK MOHONI



The stockmarket once again ended the trading fortnight under review (16-27 March) with substantial gains. The 30-share Bombay stock exchange sensitive index (Sensex) continued its trip into unexplored territory with a gain of 531.82 points (16.32%) at 3,791.18. It had closed at 3,259.36 on 13 March. The 100-share national index (NI) rallied from 1,478.51 to 1,747.46 for a gain of 268.95 points (18.19%).

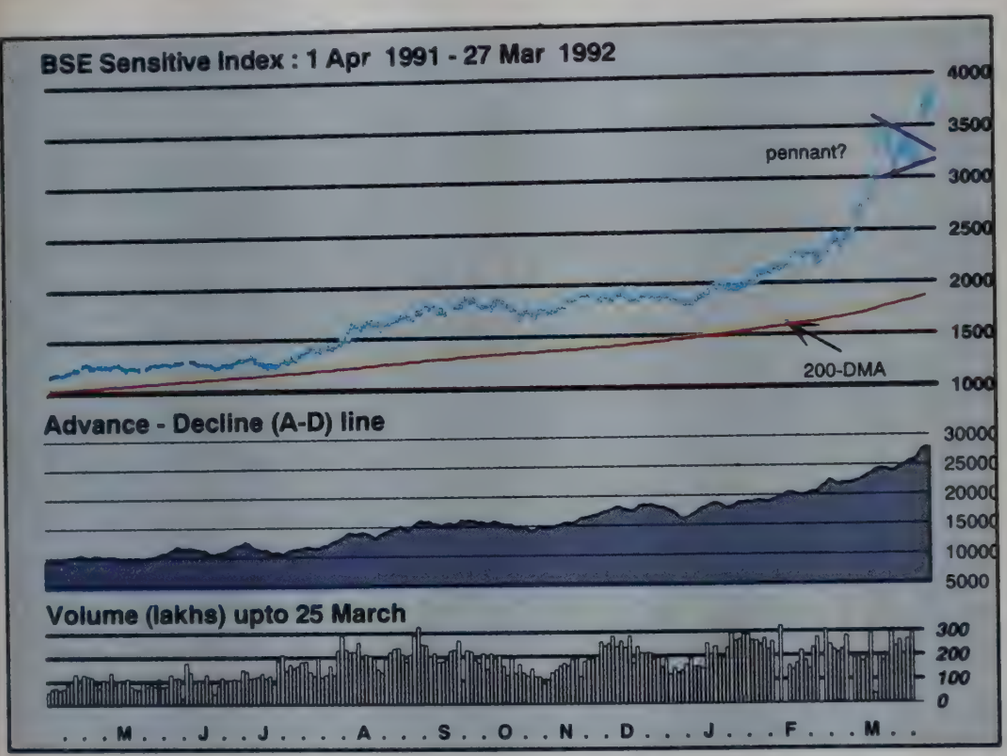
The fortnight had started off with some evidence of nervousness in the "A" group stocks, as three successive declines brought the Sensex down by about 130 points. A very substantial rally then followed, as the Sensex gained 115.52, 426.05 and 132.59 points in three successive trades. The 400-plus gain was a record, both in absolute terms and relative (percentage) terms. The event occurred on 24 March, and the Sensex gained 11.61%.

The decline at the start of the fortnight and the rally that followed produced the first chart pattern to be seen in quite a while. The picture is, unfortunately, that of a pennant. A pennant occurs at about the mid-point of a move. The move in question started in mid-December when the Sensex was 1,800, and halted at just under 3,550 on 9 March — a distance of 1,750 points. Applying this distance to the point of breakout from the pennant (3,250) we get a target of almost 5,000, should the pennant work. An index of 5,000, if achieved, is certainly going to make a mess of price-earning ratios, not to mention the minds of most market watchers.

The pennant is not the most reliable of all formations, and it would be safer to keep an eye for possible trend reversals well before the Sensex starts ticking towards the 5,000 mark. A post-pennant rally is usually close to being a vertical one and, should the market slow down before the target, chances would favour a pennant failure.

The government's massive deregulation programme has obviously everything to do with this runaway move. Curiously, even as the new policy wants to do away with bureaucratic controls, the bureaucracy has been most visible in its interactions with the stockmarket. The trading restrictions, for instance, were imposed more than 1,000 points ago on the basis that the index was "too high."

However, these restrictions reduce volume, and hence supply of stocks, but do not change demand at a time when a lot of funds are entering the market. An increase in demand and a reduction in supply is only going to accelerate the uptrend, and help the cause of the "big, evil speculators" that the curbs aim to restrict. It is in fact the smaller speculators who have been restricted, and driven to chase





fundamentally unsound low-priced "B" group scrips.

The small speculators actually help control a rally, as they are quicker in booking profits on forward positions than those who take delivery of stocks. The restrictions require that delivery be taken of "A" group scrips and, as anyone who does so is likely to hold on to his position, selling pressure is further eased.

There has been no bearish divergence in any of the technical indicators yet. The A-D (advance-decline) line continued to rise even as the Sensex declined, while volumes are picking up even with the restrictions in place. Every stock is now above its 200-day moving average (200-dma), with the exception of Suryalata Spinning Mills. The 200-dma of the Sensex is at 1,871.54, while that for the NI is at 885.28.

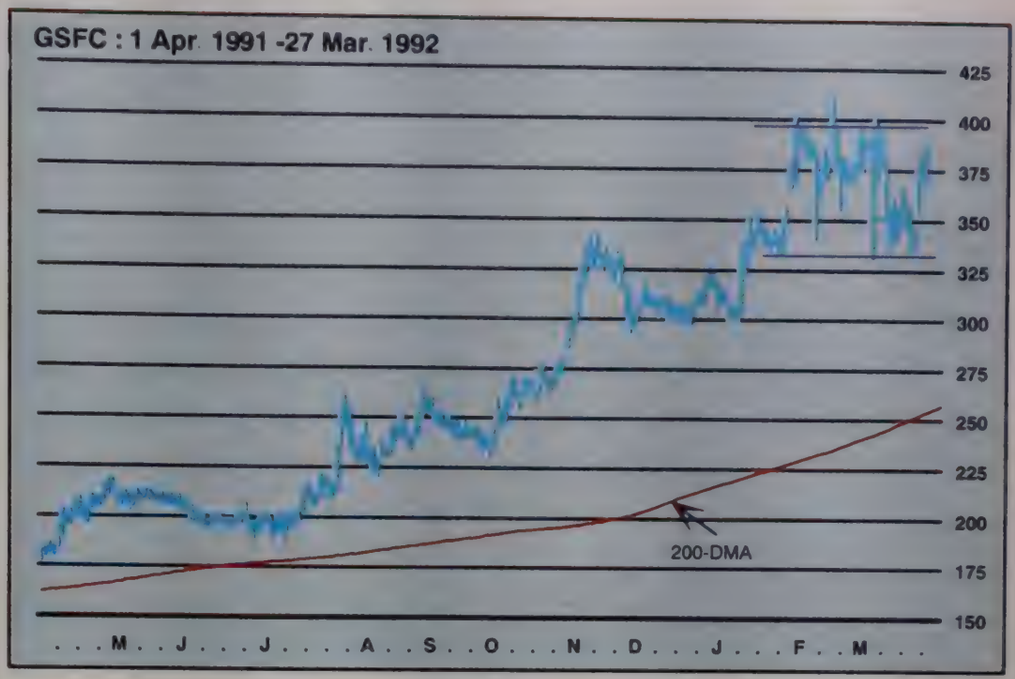
Hindustan Ciba-Geigy is one of the few rare stocks that is still within a pre-rally trend channel. Most other stocks accelerated and broke out of such channels before the budget. It would not be unreasonable to expect that Hindustan Ciba, with its limited floating stock, is potentially poised to do so. The scrip has a rising 200-dma of Rs 1,964.48.

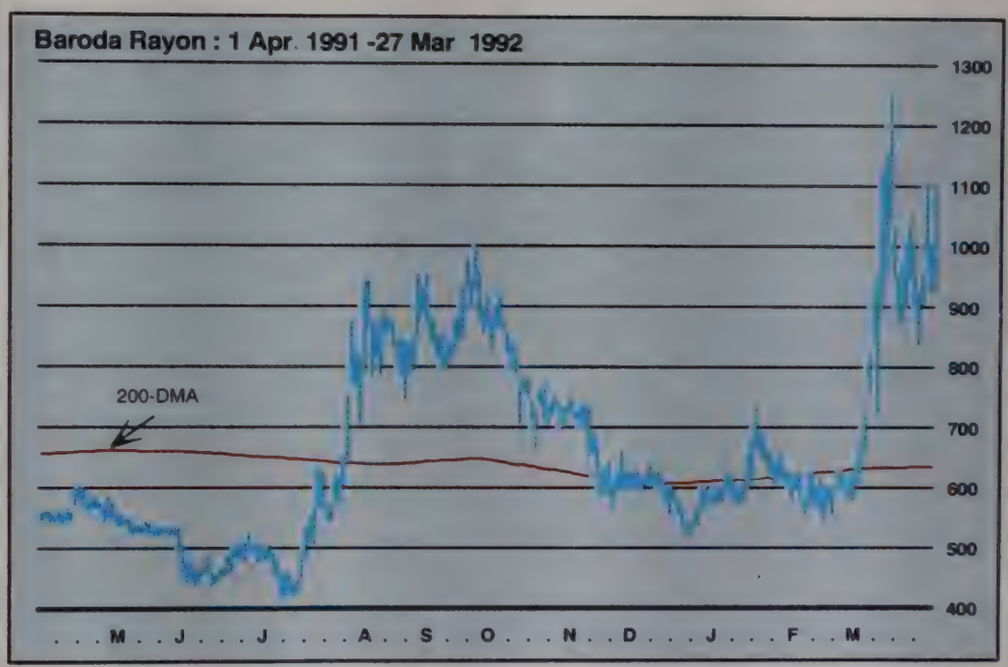
GSFC is also in a formation which most "A" group scrips broke out of before the budget — that of a rectangle (approximately) between Rs 330 and Rs 400. The stock has the potential to move at least 70 points in the direction of the breakout, which in this market is likelier to be upwards. The stock has a 200-dma of Rs 275.67.

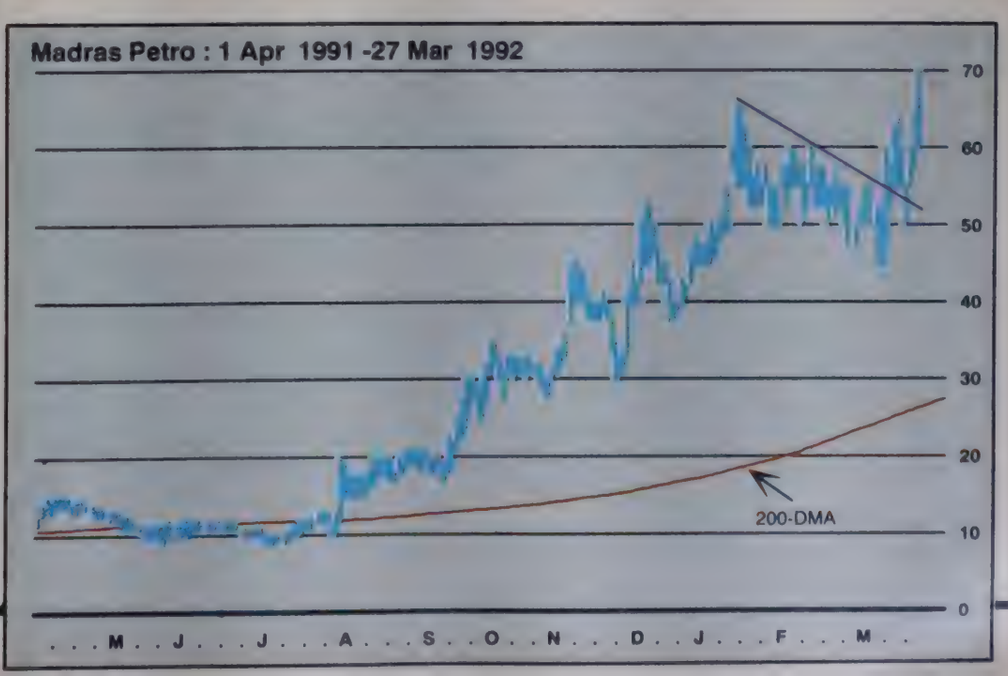
Baroda Rayon is one of the very few "A" group stocks below an old top — in its case Rs 1,233.33 (adjusted for bonus) in August 1990. The stock is trying to get past an old resistance of Rs 1,100. (The move to Rs 1,250 seen in the chart was an intra-day high — the day's close was Rs 1,100.) The stock's 200-dma is Rs 671.41. Once past the Rs 1,100 and Rs 1,250 levels, the stock should have absorbed all selling pressure.

Finally, **Madras Petro** (200-dma Rs 31.03) just broke past an intermediate level descending trendline and has gone on to a new high, suggesting a decent move ahead of it.

• *The author runs Smartcharts, which offers chart services and technical analysis research.*



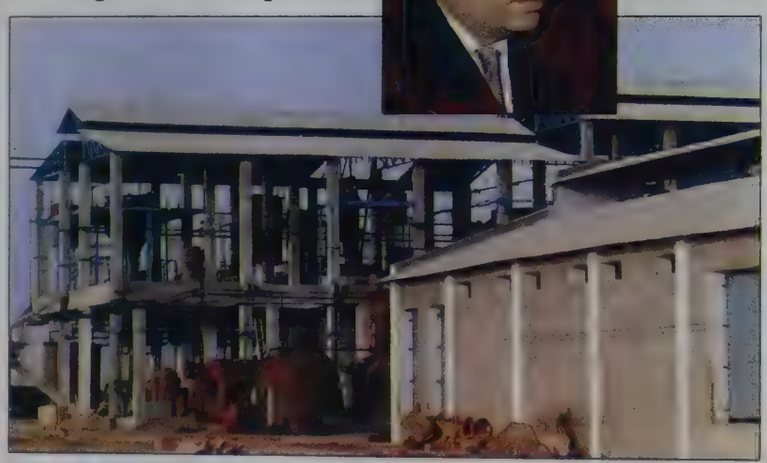




MCL: GOING GREAT GUNS

With the bourses going berserk, investors have to really play pick and choose before plumping for a scrip. Among the plethora of stocks, here's one that's worthy of a looksee. To begin with, take a dekko at Mardia Chemicals Ltd's (MCL's) net block. In 1990, it stood at Rs 7.35 crore. A year later it galloped ahead to Rs 21.30 crore. And this was before the company went to the capital market in July 1991 for funds. The inference that can be drawn from this: the management approached the public for finance only when the project was either on stream, or on the verge of. Second, while most promoters are averse to dipping into their own piggy banks for funding new capacities, MCL chairman & managing director Rasiklal Mardia diverted Rs 3.68 crore of internal accruals into the Rs 18.40 crore expansion.





THE MCL PLANT & MARDIA (INSET): *Expansion plans*

And he appears to be doing it again. "Our net fixed assets are expected to go up to Rs 40 crore by the time we close the accounts for 1991-92," he says. Which means that Mardia is quietly adding to his company's gross block again.

To be sure, he appears to be a man in a hurry. Last year, MCL expanded the installed capacity for dye intermediates from 3,300 tonnes per annum (tpa) to 7,400 tpa. This year's gameplan includes a Rs 135 crore forward integration programme to manufacture dyes. "We expect to go on stream by December 1992 and also start production of benzene-based intermediates. We should be fully on stream by April 1994, with 70% of our production being exported."

That's something the company is already doing. Says Mardia: "The US has a near-zero installed capacity for the dye intermediate variety we manufacture. We are not just very good as far as quality is concerned, but extremely timely with our deliveries too."

It, however, took him a while to make a dent abroad. Initially, no international buyer was willing to take the company seriously. "Even today, there is a strong anti-Indian bias," explains Mardia. "The Japanese sell their H-acid for $6.50-7 a kg, whereas we have to settle for a price of $5-5.50 a kg."

What is interesting is that MCL chooses to export even though domestic realisations are higher. Take H-acid as an example: the international price is $5.50 a kg whereas the domestic pricetag is around Rs 220 a kg. "We get better prices within the country but demand is limited," explains Mardia.

And expanding the market will not be easy. The total installed capacity for beta naphthol (MCL manufactures 300 tpa) is 7,000 tpa while demand does not exceed 4,000 tpa at its peak. But it is here that Mardia's optimism streaks through. "Look at the way the world is becoming more colourful," he says. "The bigger the accent on colour in our clothes, the more the dyes that will have to be used — and the more our sales."

MCL's product flow is interesting. The principal raw material, naphthalene, is imported from Germany and Japan. This can yield H-acid or beta naphthol. The former is MCL's champion product, selling internationally for nearly $5,000 a tonne against a raw material price of $500 a tonne. Beta naphthol can, in turn, go into producing a variety of chemicals — tobias acid, which can be used directly to make dyes or further intermediates. From tobias acid one gets sulphur tobias; from sulphur tobias you extract J-acid and from J-acid you eventually finish with NMJ acid. If one prefers the alternative line of products, then beta naphthol can be used to churn out peri acid, laurent acid and chicago acid.

Let us check the minuses against the company. The import duty on beta naphthol, which was earlier 130%, has now been reduced to 110%, making landed prices cheaper. Mardia concedes this point, but adds that the rising dollar market rate, which will neutralise the reduced landed cost, will insulate him.

The second negative against MCL is that its inventories are too high. For 1990-91, MCL stocked Rs 9.36 crore of raw materials against sales of Rs 14.59 crore. Mardia confesses that his company, largely import dependent (23% of sales), will have to live with this.

The third hiccup is the availability of domestic energy inputs — against MCL's requirement of two trucks of coal a day, it is getting one truck a week. "We are thinking of importing coal at Rs 2,200 per tonne," says Mardia. "We are in a soup on account of caustic soda also; because the commodity is being exported, there is little of it for domestic consumption. We will have to import this as well."

Now check the brighter side. Sales are expected to be Rs 28 crore in 1991-92, and Rs 40 crore in the next; the tax liability is expected to be nil for both years; the expansion is expected to start raking in the moolah from December 1992 onwards, and the projected turnover for 1997 is Rs 300 crore.

The vision in Mardia's eye is that of a global company. "There are five or six major dye producers in the world who make millions of dollars in profit annually," he says. "We have all the natural resources in the world — the manpower, the technology and now even the freedom to go global. One day we will."

The MCL stock which has jumped from Rs 100 to Rs 200 (17 March) is an ideal buy at declines.

□ Mudar Patherya

BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 11 May 1992.

ntion is drawn he change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.
2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.
3. Investments in debentures or securities other than equity shares are not permitted.
4. No investment can be made in scrips in which there has been no trading on the reference date for investment (28 April 1992 for Contest No 17).
5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).
6. The maximum amount investible in any one scrip is Rs 50,000.
7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 28 April 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.
8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 27 May 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.
9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.
10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 5% per annum.
11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stockmarkets.)
12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 17, the last date for the receipt of entries is 11 May 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 17 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**
13. In case of a tie, the money will be divided equally among the winners.
14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.
15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.
16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 12

FIRST PRIZE (Rs 2,500)
V.V. TEREDESAI
Teredesai's portfolio appreciated to Rs 2,71,810.21

SECOND PRIZE (Rs 1,500)
M.Y. NIMKAR
Nimkar's portfolio appreciated to Rs 2,67,501.04

THIRD PRIZE (Rs 1,000)
P.D. PODDAR
Poddar's portfolio appreciated to Rs 2,66,252.08

The hotel industry seems to have been the darling of many a stockmarket goer. Practically, all contestants saw a goldmine in Ramada Hotels which appreciated 250%. But what separated the men from the boys was the other scrips they picked for their portfolios. And Teredesai, Nimkar and Poddar demonstrated their astuteness by backing Apple Industries (up 98%), Mahavir Spinning (up 89%) and Bharat Hotels (up 83%) respectively as their second scrips.

For those who didn't make it, better luck next time. And for the winners here's a big

Congrats!

INVESTOR CONTEST NO 17 — ENTRY FORM

Name of scrip	Price on 28 April 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

Address: _____

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The 1992-93 British budget is a cautious one, if unspectacular.

TORY VICTORY?

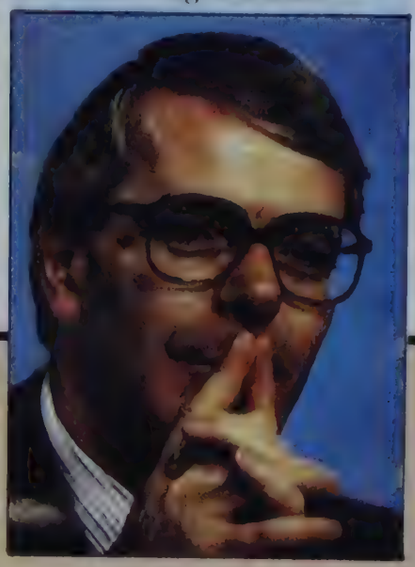
Had John Major been left with much of a choice, it would have been a brave decision. The day after a necessarily unspectacular budget, with the country deep in recession and with his party lagging in the polls, he led the Tories into battle to fight for a fourth consecutive victory. Labour and the Liberal Democrats swiftly predicted that 13 years of Toryism will soon end.

In living memory no chancellor has presented a pre-election budget in such dire economic circumstances. Output will have fallen by roughly 2.5% in the 12 months to polling day. Since the second world war, the only challenge to that pre-election record is 1973-74. The Labour government of the day won the election of October 1974, the second in nine months, because it could plausibly blame the recession on the Tories. In 1992, after 13 years of Conservative government, blaming Labour is a luxury denied to chancellor Norman Lamont. Unpromising though it was, he was obliged to seem constructive: this was, in the chancellor's words, "a budget for recovery."

Happily, and surprisingly, it wasn't. Lamont resisted the temptation to "kick-start" the economy with large tax cuts. The changes he announced will raise the public-sector borrowing requirement (PSBR) in the next financial year by only a little more than £2 billion (Rs 9,000 crore) — £1.5 billion, if you exclude some changes that were announced earlier. Cuts of £3 billion or £4 billion had been widely predicted. Within his self-imposed limit, Lamont was driven more by politics than by economics in designing his reforms. Chancellors are capable of only so much virtue.

Lamont was right to show restraint, despite the recession,

MAJOR: *Fingers crossed*



SOP TALK

"The lifeblood of a modern economy" is how the chancellor described small businesses, before handing them a variety of gifts in his budget. "In that case, what are we?" the bosses of big businesses may be forgiven for asking, as they count their smaller blessings. Lamont's answer would be: "Tory voters in any case."

The finances of big firms are healthier than a year ago; and companies will benefit by £350 million in 1992-93 from the one-point cut in corporation tax, to 33%, announced in last year's budget. Despite that, big business had pleaded for new capital allowances to encourage investment. That would have cost the exchequer a lot of revenue, would have benefited mostly profitable firms and probably have done little to spur investment. The chancellor turned a deaf ear.

No new Act. He decided to leave advance corporation tax (Act) unchanged too. Some big firms that pay dividends out of foreign profits have complained they are paying more Act than they can set against their corporation-tax liability. Lamont sympathised, but said measures would have to wait for a review by the European Commission. Letting big businesses pay value-added tax (Vat) each quarter instead of each month will give them a £200 million tax cut in 1992-93. The chancellor also helped the car industry (the rate of car tax has been cut by half to 5%; taxi operators, car-hire firms and driving schools will get relief from Vat on their vehicles; and capital-allowance limits on business cars have been raised). For the rest, he offered help mainly to smaller firms. Lamont allocated £480 million to help keep business rates (property taxes) down. When the uniform business rates was introduced in 1990, "transitional relief" was given to firms faced with big increases; this was to be balanced by slowing the pace at which the rates paid by others fell. The new cash will extend the relief, while allowing other bills to fall more quickly.

Exempting cars that are used as capital goods from Vat will help taxi and car-hire firms and driving schools by £50 million in 1992-93, and by £100 million in 1993-94. Leaving vehicle-excise duty on lorries unchanged (instead of increasing it in line with inflation) helps businesses by a further £30 million. And Britain's film industry was given a new tax-break worth £5 million in 1992-93.

More small traders will be able to delay Vat payments until they themselves have been paid. Penalties for minor errors in Vat payments are to be cut. More employers will be able to pay income tax and national insurance each quarter rather than each month. To encourage debtors to pay their bills promptly, big firms, often the worst culprits, will have to state in their annual report how quickly they pay up. The abolition of inheritance taxes on most family businesses and some unlisted securities will help smaller firms by about £10 million this year.

On personal taxes, Lamont reaffirmed the goal of a 20% basic rate; for business taxes, there is no such vision. After 13 years of Tory reforms, plenty remains to be done. Anomalies and complexities abound, and the case for a radical overhaul of the entire corporate-tax system is strong. But Lamont's hope appears to be that, after 9 April, normal meddling will resume. — *The Economist.*

because of the alarming deterioration in the public finances. The treasury now expects the PSBR for 1991-92 to be £14 billion, compared with last year's budget forecast of £8 billion. That is nothing beside what is in prospect. The PSBR for 1992-93, including the chancellor's cautious tax cuts, is guessed to be £28 billion (4.5% of GDP). This would be a cool £16 billion more than he forecast last year. And in 1993-94 the treasury expects the PSBR, and its forecasting error, to be bigger still.

Two grouses. These numbers came as a shock to the financial markets. Most city economists had been forecasting a PSBR of around £25 billion next year, and that on the assumption of a £4 billion hand-out of tax cuts. The markets decided that the chances of an interest-rate cut before the election had diminished; so on 11 March shares fell and market-driven interest rates moved up. Perhaps that initial surprise explains why many city pundits seemed muddled this year. Commentators sprang immediately into print complaining of (a) the government's reckless borrowing plans and (b) the lack of any decisive measures to stimulate the economy.

Taken one at a time, the two fiscal criticisms are hardly plausible. Concerning (a): the budget was as close to fiscally neutral as pre-election politics would allow. And even the most hair-shirted opponent of counter-cyclical demand-management would hardly choose now as the time for a discretionary tightening of fiscal policy (that is higher taxes) — unless, as the Labour party proposes, this were to take the form of taxes on the "rich." Concerning (b): "decisive" tax cuts, pushing the expected PSBR to well over £30 billion, would have run the clear risk of undermining sterling and triggering a rise in interest rates — which would have been economically ill-advised as well as politically suicidal.

Lamont, given few choices, chose well. With his broadly appropriate macroeconomic policies in place, the short-term outlook is undeniably bleak. The treasury now expects output to grow by only 1% this year, which would be a puny recovery indeed from the sharp fall in output of 1991. But the slowdown has curbed inflation; the chancellor says he expects prices to rise by less than 4% this year. In 1993, voters willing, Lamont hopes to be celebrating a much happier combination of inflation at 3.15% and growth in output of 3%. If that comes true, he will be forgiven his hefty PSBR (which, with output growing so quickly, would soon start to shrink) and a current-account deficit pencilled in at £9 billion (which should be readily financeable).

In that event Lamont might also be looking forward to the first of the new unified budgets he has promised to introduce. Starting in December 1993, the autumn economic statement and the spring budget would be combined, bringing together the government's plans for public spending and taxes. This reform, also promised by the Labour party, ought to confront spending ministries more directly with the implications of their proposals for taxes — though some treasury officials apparently have their doubts about that. What is beyond doubt is that unified budgets would improve the quality of public debate over fiscal choices. For that reason alone, the idea deserves to be welcomed. — *The Economist.*

Japanese consumers say yes to "no-brand" goods.

RETAILERS' TACK

Cash-laden Japanese shoppers have become famous for caring more about brandnames than price tags. But the era of brand snobbery may be coming to an end. Like shoppers in most other countries, millions of Japanese are now scouting for bargains, comparing prices and opting for "no-brand" goods. This began even before the Japanese economy's recent slowdown. But if Japan is headed for recession, as many believe, Japanese consumers will become still more price-conscious. That is bad news for the department stores which have long dominated Japanese retailing, as well as importers of luxury goods, whose sales boomed in the eighties.

Many Japanese consumers have shed their inhibitions about buying a store's own private-label products, which offer good value but little snob appeal. Others are cheerfully accepting shoddier products because of their throwaway prices. An inverted snobbery has even made "no-brand brands" popular (see box).

This shift in tastes has been encouraged by new specialised stores — small outlets in the suburbs catering to specific groups of consumers — which have borrowed merchandising and distribution techniques from retailers in the US and Europe to offer men's clothing (Aoyama Trading), furniture (Shimachu) and a variety of goods (Mr Max) at cheaper prices.

Unlike Japan's big department stores, these retailers buy their goods direct from manufacturers, saving themselves the wholesaler's mark-up of 5-15%. They also avoid the sale or return agreements that have long been standard between other Japanese retailers and manufacturers. That means they have to manage their own inventory; but it saves them another 15% on the manufacturer's price.

Fatter profits. Nor have specialised retailers tied up huge amounts of money in property, as have many department store chains. Most rent outlets in suburban shopping malls, staffing them with part-timers. The results are fatter profits. Gross margins at Aoyama Trading, the men's clothing firm, are nearly 50%, estimates Victoria Melendez, an analyst with Jardine Fleming in Tokyo, compared with a margin of less than 35% on

JAPANESE CONSUMERS: *Price-conscious*



SEARCH FOR IDENTITY?

Try to imagine (if you are not one already) that you are a 22-year-old woman office worker living at home with your parents in Japan. You spend most of your ¥160,000 (Rs 32,000) monthly pay packet on yourself. Elegant in your Jean Paul Gaultier dress, Hermes scarf draped casually around the neck, gold Cartier watch on your wrist and Chanel handbag dangling from the shoulder, you step jauntily into the office lift. Seconds later the doors open and — horrors — in steps another lady decked out in precisely the same designer-brand uniform; then another, and yet another. Many Tokyo office buildings are now full of young Japanese women who dress exactly alike.

The trendsetter. Jaded by the ubiquity of fancy brandnames, many of Japan's conspicuous consumers are now turning to "no-brand" goods in what looks like a forlorn attempt to display some individuality. The trendsetter has been Seibu, a department-store chain that goes after the affluent young. Inside Seibu's flagship store in Tokyo, one section sells only Mujirushi Ryohin ("no brand/good quality") products. Their labels say only what materials are used and the country of origin — mostly China, Hongkong, South Korea, Thailand or India. The products are easy to spot because of their simple design, plain colours, high quality and reasonable pricing.

Seibu's parent, the Saison group, originally developed the no-brand idea for tinned food and household items for its Seiyu supermarkets. Two years ago the group established a separate company, Ryohin Keikaku, to handle an expanded line of Muji goods, which today includes 1,800 items.

Ryohin Keikaku now has 201 outlets in Japan and two overseas. One of its foreign stores is a joint venture with Wing On in Hongkong. Another is a joint venture with Liberty in London's Carnaby Street, where the firm's no-brand goods sell for an astonishing 70% more than they do in Japan. Ryohin Keikaku plans to open 20-30 more outlets in east Asia over the next few years, if Muji products prove as popular abroad as they have been at home. Many fashionable young Japanese would not be caught dead in anything else. — *The Economist.*



men's clothing at Takashimaya, a leading department store. There is an even bigger gap between their overall operating profit margins: Aoyama Trading's is a healthy 18.6% while Takashimaya struggles along with an anaemic 2.5%.

Ironically, the success of the specialised retailers is partly due to a relaxation of the law restricting the growth of big retailers, which was passed in 1990 largely to help the department stores. These promptly borrowed huge amounts of money to buy land and build new stores just as interest rates rose. Most department store chains are now tottering under massive bank debts. Most specialised stores, by contrast, have no debt. The law, and the glut of commercial property, have left them free to expand even faster by renting space.

In a bid to win back customers, department stores such as Isetan and Mitsukoshi have rushed to introduce lower-priced brands of their own. But this move has predictably upset their traditional suppliers.

It has also transformed the way the department stores do business. Imported from low-wage factories abroad, own-brand goods are rarely bought on a sale-or-return basis. Having always relied on local manufacturers to manage their inventories for them, few Japanese department stores know how to do it themselves.

It may take several years for them to instal and master the sophisticated electronic point-of-sale equipment and inventory-control systems which the specialised stores already own, and which retailers in America and Europe have been perfecting over the past few years. — *The Economist.*

Italy is not big enough for Berlusconi's...

BROADCASTING AMBITIONS

The flamboyant mogul talks grandly of his schemes. Having long ruled his home market, he is restless; he yearns for fresh conquests. So he plans to build a media empire like no European has ever seen. His television stations and film distributors will be scattered across the continent. In Britain he will take on the stuffy media establishment. Then, perhaps, Hollywood. He also owns a web of private companies — supermarkets, a football team. Yet, troubles loom: his debts are big, his hubris bigger; he may have run foul of the law.

The mogul? No, not a mid-eighties Robert Maxwell or Rupert Murdoch. Instead he is Silvio Berlusconi, owner of Italy's Fininvest, Europe's second-biggest media conglomerate after Germany's Bertelsmann. During the eighties Berlusconi concentrated on his business in Italy, where he used a shrewd strategy and tight links with politicians to dominate the country's exploding media market. Now he is striding on to the world stage. But rivals and regulators in other European countries are fighting him, his Italian base is in jeopardy and the uncanny parallels with other once-mighty media magnates have sceptics wondering whether he, too, is headed for a fall.

Big plans. By the end of the year, Berlusconi hopes to have a stake in each of Europe's five largest television markets. Already he competes in three of them. Next he plans to turn round La Cinq, a bankrupt French channel of which he owns 25%, and invade Britain by winning the right to run a new terrestrial service, Channel 5. He also aims to break Hollywood's hold on Europe's film market. He has set up production companies in Hollywood and Rome and is building a film-distribution network across Europe.

Berlusconi's audacity has been evident since he first started using money made as a property developer to take on Radiotelevisione Italiana (RAI), Italy's state-owned monopoly broadcaster. Barred by law from setting up a national channel showing live programming, in 1980 he cobbled together a network of local stations, called Canale 5, to broadcast mainly American fare such as Dallas.



Since then Berlusconi has acquired two more national channels and added newspapers, book and magazine publishers, a media-buying agency, film and video production and distribution companies, and cinemas. Together with Fininvest's non-media firms — in financial services, insurance and retailing — they make up Italy's third-biggest private sector company. Last year the group's sales totalled 10.4 trillion lire (Rs 20,800 crore), half of it from media.

In the best Italian tradition, Fininvest is a secretive, family-controlled company. Because the group's finances are shrouded in mystery, critics suspect Berlusconi is hiding something and that his position may be as precarious as some of his fallen rivals. Berlusconi insists not. As evidence, he cites his bankers' willingness to finance fully half of his recent acquisitions, including Standa, a big retailer, and Mondadori, a big publishing house he took over last year after a long battle with Carlo De Benedetti.

Perhaps his bankers have been too enthusiastic. Mediobanca, an Italian merchant bank, reckons Fininvest's net debt has soared from 345 billion lire in 1987 to 3 trillion lire in 1990. The company disputes this, claiming its net debt in 1990 was 2.4 trillion lire and that last year, after assuming some of Mondadori's debts, it was 2.9 trillion lire.

Solid assets. Either way, the number is huge. But Berlusconi is at pains to stress he is no Maxwell. His debts, he says, are under control: he will sell no business to reduce them, though he may float bits of the group in two years' time. One Milan financier who knows Fininvest well agrees, citing its solid assets, profits in 1990 of 190 billion lire (a 34% increase on 1989) and strong cash flow from advertising sales in Italy.

Fininvest's place in the Italian media market is indeed enviable. Last year the group gobbled up around 28% of the 9.5 trillion lire spent on total media advertising. It has a whopping 55% of television-advertising revenues. But Berlusconi's cash cow may be about to run dry. After a decade of real growth of 15% a year, Italian ad-spending rose last year by just 3%, and is unlikely to do much better for a while. Television is holding up better than print, but it too has slowed.

More worrying for Berlusconi is a 1990 media law containing anti-monopoly provisions that have made him limit his stake in Telepiu, a pay-TV channel, to 10%, and sell h newspapers. By August he mu sell the last one: *Il Giornale*, a Mila daily.

That may not be all. Recently 1 Italian newspapers filed a complai with media regulators against Berlu coni. They allege that Fininvest dominance of the television mark has let it slash prices offered to adve tisers so much that newspapers ca not compete; and that it compe advertisers who buy time on its cha nels to take space in Mondadori magazines too. They want Berlusco out of publishing.

Berlusconi cannot afford too man troubles at home because his adver tures abroad will be costly. Start wit Paris, where he recently put forwar a FFr1.5 billion (Rs 690 crore) rescu package for La Cinq.

Berlusconi is being savaged b France's media bigwigs. Andre Rous selet, boss of Canal Plus, a pay-T channel, has accused Berlusconi o milking profits from La Cinq by sel ing it over-priced Fininvest program ming. On the contrary, say Berlusconi, he has pumped FFr1 bi lion into the station. His competitors he says, have scared off potentia French partners for the rescue by ac cusing them of being "col laborationists." Now he is trying t assemble a consortium of Europea banks and small investors to financ the deal. But the CSA, France's broad casting watchdog, may yet decide t reject Berlusconi's plan.

Britain may prove no mor hospitable. Berlusconi wa frustrated from bidding for one o the highly profitable British regiona channels auctioned last year by vague "quality threshold" known t those who concocted the rules as th "FOB" clause — for "fuck off Berlus coni."

European media companies hav often foundered on parochialism. Ber lusconi will not. His problem i hubris. Asked why a media compan should also own supermarkets and in surance companies, Berlusconi argue his name is a brand that can b stretched across a range of businesses The claim sounds preposterous. Bu in Italy some think it is true. Hi ownership of AC Milan, a top footbal team, has made him a pop hero. A recent poll of teenagers found Su Emittenza ("his transmittence") mor popular than Jesus Christ. Presumabl his bankers take some comfort fro that. — *The Economist*.

GM steps on the gas in the Asian markets.

PICKING UP

General Motors (GM) of the US is mounting a campaign to reclaim lost ground from the Japanese auto makers that dominate Asia. Undaunted by the unravelling of its partnership with South Korea's Daewoo Motor and its estrangement from its affiliate, Japan's Isuzu Motors, the world's largest auto maker announced in January a $30 million (Rs 900 crore) investment in a joint venture to make pick-up trucks in China.

The next step should come by mid-year, when the company is expected to finalise arrangements for a joint venture in Indonesia to assemble cars and trucks. In June 1991, GM and Taiwan's Chinese Automobile Co (CAC) announced plans to build 15,000 Opel Astras a year for the Taiwan market. Production is slated to begin in 1993, and GM has high hopes that favourable consumer attitudes towards US cars will result in strong sales.

Nonetheless, GM faces steep obstacles in its effort to catch up in Asia. Most markets are dominated by Japanese assemblers or by a heavily protected local favourite, such as the Proton Saga in Malaysia.

At any rate, the company does not appear to be minimising the difficulties it faces. "We don't envision instant success in beating the Japanese," says General Motors Overseas Corp executive vice-president Ronald Gilchrist. "Rather, the idea is to establish our presence and then expand on a step-by-step basis."

China, Taiwan and Indonesia form the core of the firm's strategy for Asian markets outside Japan, according to Gilchrist. While the car market in China is crowded with foreign entrants, the market for light-commercial vehicles (LCVs) has barely been tapped.

Taiwan's strong auto imports — GM has sold 80,000 cars there in the past three years — support the strategy of manufacturing on the island. The fact that Taiwan drives on the right, as does China, makes it an even more attractive target, because North American vehicles can be introduced more easily than in left-driving countries such as Japan. In Indonesia, the company views the auto market as being one with much room for growth.

Getting serious. GM is also finally showing signs of getting serious about selling in Japan. Last year, the company sold 13,300 cars in a market of 7.5 million vehicles, counting imports from both the US and its European subsidiary. One indication of GM's new approach was its March launch of an advertising campaign comparing the upmarket Cadillac Seville's fuel economy with the Nissan Infiniti's to counter the image of American cars as gas-guzzlers. GM has also moved to strengthen its distribution network, and is aiming to increase component sales to $450 million by 1996 from $200 million last year.



GM could certainly use good news from Asia. The company had a record loss of $4.5 billion in 1991, a figure that would have been much higher if not for the $2.1 billion profit raked in by its European subsidiary.

No overall information on the profitability of GM's Asian operations is available. But its Australian venture, General Motors Holden, reported net income of A$53 million (Rs 104 crore) on revenue of A$2 billion in the first half of 1991.

Results were not so good in South Korea, where GM is on the verge of selling its 50% stake in Daewoo Motor, despite investing about $200 million since 1976. Daewoo has been hobbled by conflicting strategies and quality problems, resulting in falling marketshare and rising inventories of the venture's LeMans model.

Losing the foothold in South Korea will hurt, as it will mean the loss of a half-share in Daewoo's sales of 1.51 vehicles last year. High tariff barriers make imports prohibitively expensive. As a result, it will not be possible to replace these sales.

GM's relationship with Isuzu Motors, in which it has a 35.7% stake, has been a disappointment to both sides, though it has not reached breaking point. Isuzu supplies diesel engines and trucks that are badged as GM models. But the companies have carried out no joint-development work, generally considered a key to cutting costs.

The GM joint venture in China represents a further step back from closer cooperation with Isuzu. Rather than using an Isuzu model, the venture will manufacture a GM one-tonne pick-up. Indeed, this so-called S-class pick-up truck is to become the US company's main entry in the market for LCVs throughout Asia.

Overall, the strategy emphasises using a small number of models to hold down manufacturing costs: the Opel, a 1.6 litre-engine car, in Taiwan and Indonesia and the S-class pick-up truck in China and Indonesia. In future, the limited range of models will make it easier to supply a facility in one country with parts made elsewhere in the region.

GM chose China as the first place in Asia to manufacture the S-class pick-up truck. GM will take a 30% equity share in Jinbei GM Automotive Co, a $100 million venture with Shenyang-based Jinbei Automobile Co.

Production at Jinbei factory is due to begin later this year. Output is to build slowly, with barely 1,000 GM trucks produced this year, though the company will still make 20,000 Jinbei's current model, a 2-tonne truck.

This vehicle will continue production in reduced numbers, and by 1998 the plan calls for the production of 50,000 GM trucks and 10,000 Jinbeis. One key to the venture's success will be in avoiding some of the pitfalls often associated with doing business in China. The company may be hoping that Gilchrist's experience in China — he was involved in the early days of Chrysler's Beijing Jeep venture in the early eighties — will help. — *Far Eastern Economic Review.*

NEWS BRIEFS

■ Plagued by sluggish sales, the US **auto industry** faces an uphill road to recovery despite recent signs of revival in other sectors of the economy, reports *The Asian Wall Street Journal*.

The seasonally adjusted annual selling rate for cars made in North America slipped to six million vehicles in the first 10 days of March, down from the rate of 6.2 million vehicles during the previous 30 days. But the silver lining for the auto makers and dealers has been a surge in sales of vans, light trucks and off-road vehicles which saw a robust 22% jump in early March to 90,183 vehicles.

Meanwhile, slow sales have forced Chrysler Corp to temporarily shut three assembly plants, affecting some 8,400 workers. General Motors also might follow suit — it will close for one week its Doraville-based assembly plant that makes a whole range of compact trucks and sport-utility vehicles.

■ The South Korean government, with a view to curbing investment in the already crowded petrochemicals sector, will ban the construction of naptha-cracking units (**NCUs**) and **caprolactum plants** by the end of 1995. The country has witnessed a surge in construction of NCUs which produce ethylene, the key petrochemical ingredient, and supply has outstripped demand.

In addition to banning new investments in NCUs and caprolactum units, the government will allow new investments only on a selective basis in certain other areas of the industry that face problems of excess supply. These include aromatic compounds of benzene, toluene and xylene. Investments in synthetic rubber will be banned immediately but allowed to resume after 1993.

■ The Indonesian government and the country's biggest oil producer **Caltex Pacific Indonesia** have agreed to extend a production-sharing oil contract. "We have reached an agreement with Caltex about extending a contract with a 90-10 split," says Indonesian mines & energy minister Ginandjar Kartasasmita. Under the present contract, agreed upon in 1983, Indonesia keeps 88% of production and Caltex 12%. The exploration activity could have stopped by 1996 (as it takes more than five years to develop an oil discovery) if the pact wasn't extended beyond the contracted year of 2001, say Caltex officials. The new agreement will extend the product-sharing agreement for 20 years.

■ The Japanese Fair Trade Commission (**FTC**) has ordered 13 medium- and large-sized ink manufacturers to break up a price-fixing cartel, says *The Asian Wall Street Journal*. FTC officials say the ink makers, among them Dainippon Ink & Chemicals, Sakata Ink Corp and Tokyo Ink, colluded to raise prices and used higher petroleum and resin costs during the Gulf crisis as an excuse.

The commission is yet to deliver a final judgement about the amount of surcharges to be levied on the companies. In addition to the surcharges, which are meant to strip the companies of artificially inflated revenues, the FTC can press criminal charges, which could lead to extra fines.

■ Asea Brown Boveri (**ABB**), Europe's largest electrical engineering group, has managed to shore up its bottom-line, despite the recession in the West, and plans to continue restructuring efforts this year.

BARNEVIK: *Facing troubled times*



The company recorded a mode 3% increase in net income this ye from $590 million to $609 millio ABB chief Percy Barnevik says th company expects a slower recover in recession-affected markets France and Scandinavia.

As part of its restructuring plan, th company plans to sell its UK-base global instrumentation business. Ba nevik says a couple of other "pieces might be sold but ruled out the char ces of any huge divestitures.

■ International donors have pledge $1.5-1.7 billion in aid to the **Philip pines**. Finance secretary Jesus Estanis lao says the tentative figure include emergency assistance for rebuildin after the Mount Panatubo volcani eruption and for power-generatin projects.

■ ***Pravda***, the Russian communis party's official newspaper for almos 80 years, suspended publicatio recently, blaming the market econom and Russia's new leadership. Th newspaper, founded by Vladimi Lenin in May 1912, says its closur is only temporary, while negotiates new sources of financing.

■ Some of the world's largest **telecom munication companies** — includin MCI of the US, France Telecom an Mercury Communications of the U — are collaborating to offe specialised communications service to the global financial services in dustry. The companies have formed joint venture called FNA (Financia Network Association) which will pro vide communications services be tween the world's financial capitals FNA will be incorporated in Brussel and Australia-based AOTC's Alla Badrick is its first chairperson.

■ The Greek government has ap proved the sale of **Heracles Genera Cement**, the largest company on th country's privatisation list, to a Italian-Greek joint venture led by Cal cestruzzi, the construction arm of th Ferruzzi group. The state-owned Na tional Bank of Greece will pay $647. million in cash for a 69.8% stake hel by the Industrial Reconstruction Or ganisation, the state umbrella for com panies being privatised. Heracles i the biggest of the country's four ce ment makers, producing 6.2 millio tonnes annually at its two plants i central Greece.

SESA GROUP

SESA GOA LIMITED
needs

1. Maintenance Manager

The candidate must be a Graduate in Mechanical/ Electrical Engineering with over 10 years of experience in the maintenance of heavy mining machinery including excavators, wheel loaders, dozers, off the highway trucks, screening and beneficiation plant machinery etc. He should be around 45 years of age and should have worked in a similar position in a major mining or construction organisation of repute. The position is at our Mining Division.

2. Purchase Executive

The candidate should be around 35 years of age possessing a good degree or diploma in Mechanical Engineering. Qualification in Materials Management and exposure to computer systems will have an added advantage. He should have 8-10 years experience of having worked in a similar position in a Mining, Construction or Engineering Company of repute and should be well conversant in the following areas:-

- Import of plant, machinery and spares.
- Attending to bank formalities concerning RBI, opening L/C, obtaining Exim Scrips on export certificates
- Procurement of equipments tools, instruments, spares, consumables etc from indigenous sources.

The position is at our corporate office

The above positions are in the Company's Management cadre and carry an attractive remuneration package

Applications giving full details as to age, qualifications, type of experience, remuneration drawn and expected etc must reach within 10 days of this advertisement to

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INDAL

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REQUIREMENTS

MANAGER TQM & HRD
– at Nanjangud near Mysore, Karnataka

The incumbent will be responsible for Total Quality Management and training function of the plant. This is a senior position reporting to the Chief Executive.

Candidates should be Graduates / Post Graduates in Chemical / Mechanical Engineering with additional qualification in Statistics and should have 8 to 10 years experience in TQM / Training Function in Electronics / Engineering Concern. Out of this, 2-3 years experience is essential as independent in-charge of TQM function and in Quality Assurance and implementation of Quality Systems like ISO-9000 as well as training.

Age around 35 years.

SENIOR ENGINEER – R & D
– at Nanjangud near Mysore, Karnataka

Candidates should possess first class Bachelors / Masters Degree in Chemical Engineering with 5-6 years experience in R&D function of a Printed Circuit Board manufacturing unit of repute. Experience in related fields is preferable but not essential.

The incumbent must have experience in R&D and Process Operation / Control of Chemical Plants or Plating / Metal finishing operations with adequate knowledge of SPC, Continuous Process improvement etc.

Age around 30 years.

SENIOR EXECUTIVE – HRD
– at Calcutta

The incumbent will be responsible for identifying training needs of employees, designing, co-ordinating and implementing training and development activities, implementing career development scheme and management education programme, conducting surveys, validating and co-ordinating psychological tests. Candidates should have Masters Degree in industrial Psychology / Organisation Behaviour / Psychometry and Ph.D in Organization Behavior or related area including HRD. Candidates with around 2 years experience in the area of HRD, Psychometrics / Surveys preferred.

Age preferably below 30 years.

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Salary will be commensurate with qualification and experience. Perquisites include H.R.A., LTA, Medical facilities, Superannuation benefits, Compensatory Allowance and Conveyance Allowance etc. as per Company's Rules.

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Staff Manager

Indian Aluminium Company, Limited

1 Middleton Street
Calcutta 700 071

TCS and the software process

GENERIC TOOLS

Tata Consultancy Services was formed in 1968 in recognition of the growing need for extending **information technology and management consultancy** services to organisations in Government, business and industry in India and abroad. Today, TCS operates worldwide and has over **2,700 qualified professionals** on its rolls.

TCS has ventured into a comprehensive Tools Development Programme to meet its primary requirements of effective implementation of methodologies concerning all aspects of software development. The key objectives of this programme are to:

- Ensure uniformity and consistency in the methodology implementation
- Establish uniformity of Quality Assurance across all branches
- Improve overall productivity of software development by at least 50 per cent
- Ensure easier maintenance of software
- Provide portability across platforms
- Avoid reinventing the wheel

The tools identified for this purpose span the entire Software Development Life Cycle and will address:

- Information Systems Planning
- Project Sizing and Estimation
- Systems Analysis
- Systems Design
- Program Walk-thrus
- Test Plan and Test Data Generation
- Test Coverage Analysis
- Software Project Management

Should you wish to be part of TCS and possess an advanced degree in engineering and/or management with two years of experience in information technology, systems engineering, you may send your resumé quoting "SEG-92" to:

The Resident Manager
Tata Consultancy Services
Nicco House, 2nd floor
2, Hare Street
Calcutta 700 001
Tel: 209415, 280744

Chaitra-B TCS 468

Some young engineers like you are winning awards for doing a job they love!



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Manager HRD
Centre for Development of Telematics
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Chanakyapuri, New Delhi 110 021

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(A Government of India Enterprise)

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Sl. No.	Position	Scale of Pay/ Grade (Rs.)	Approx. Emoluments Min. (Rs.)	Approx. Emoluments Max. of grade (Rs.)	Number of posts
1.	Dy. General Manager (Mines)	6500–175–7725 (E–7)	7200/-	8400/-	One
2.	Asst. General Manager (Mineral Dressing)	6250–175-7475 (E–6)	6950/-	8150/-	One

The above emoluments include basic pay and D.A. In addition, other benefits such as residential accommodation on rent or HRA, PF, Gratuity, free medical facilities, LTC, reimbursement of Local Travelling Expenses of Rs. 1000/- or Rs. 275/- per month depending on whether maintaining a car or scooter, HRD/ Entertainment allowance etc. are admissible as per rules of the Company.

ELIGIBILITY CONDITIONS :

Position at Sl. No.	Minimum Qualifications	Experience	Age not to exceed (as on 1.3.92)
1.	Degree in Mining Engg. with First Class Mines Managers Certificate under Metalliferous Mines Regulations or under Coal Mines Regulations.	Min. 20 years in open cast mining of iron ore or any other hard rock mineral deposits, of which at least 5 years should be in independent handling of all excavation operations, operation of heavy earth moving equipments, general management, mines maintenance, production planning etc. Experience in other related areas of ore dressing plant including wet circuit operation, large crushers and conveyors handling large tonnage of ore etc. is desirable.	45 years
2.	Degree in Engg. in Mining/ Mineral Dressing/Chemical/ Metallurgy or degree in Geology with post-graduate qualification in Mineral Dressing/Mineral Technology.	Min. 15 years in operation of Ore Dressing Plant involving large size crusher screens, wet circuit equipment like scrubbers classifier cyclones thickness etc. in iron ore mines. Experience in other metalliferous deposits would be treated as additional. Experience in plant erection and coordination with various agencies involved in erection & construction of equipment needed for R&D Laboratory would be preferred.	45 years

FOR SC/ST CANDIDATES : Age limit is relaxable by five years. Other things being equal, preference will be given to SC/ST candidates.

HOW TO APPLY : Candidates fulfilling the above specifications should apply giving the following particulars in seriatim :

(i) Position/Grade applied for (ii) Name (iii) Father's/Husband's Name (iv) Date of birth and age (as on 01.03.92) (v) Category, viz. General/SC/ST (vi) Mailing address (vii) Educational and Professional qualifications (Graduation onwards) indicating Degree/Diploma passed, Institute/University, year of passing, Division/Grade, % of marks secured, duration of course etc. (viii) Experience related to the post applied for (starting with present employment) indicating organisation, position held, job description, period, grade with details of pay, reason for leaving (ix) Training undergone (x) Extra curricular activities, (xi) Additonal information, if any, (xii) Demand draft No. with date and amount (xiii) Signature with date.

Applications should be accompanied by a non-refundable Account Payee Demand Draft of **Rs. 30/-** payable to **Steel Authority of India Limited** and drawn on State Bank of India, Lodi Raod, New Delhi (Code No. 6564). **SC/ST candidates are exempted from payment of application fee.**

Applications complete in all respects may be sent to the **Senior Manager (Recruitment & Training), Steel Authority of India Ltd., Ispat Bhavan, Lodi Road, New Delhi-110003,** so as to reach latest by **18th April, 1992.**

Those working in Government Departments, Public Sector Undertakings (including SAIL) or Autonomous Bodies should send their applications through proper channel or produce **"No Objection Certificate"** at the time of interview.

The Management reserves the right to raise the eligibility criteria or relax age and experience in exceptionally deserving cases.

Canvassing of any sort will be a disqualification.

Candidates called for interview will be paid to and fro Air/ACC train fare by the shortest route.

NOTE: Please superscribe on the envelope the name and grade of the position applied for.

Regd. Office : Ispat Bhavan, Lodi Road, New Delhi-110 003

Steel makers to the Nation

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Our client, a high tech multiproduct organisation, is currently a major player in its field. They are in the process of setting up a new unit in Delhi to manufacture Microwave Communication Equipment with technology from renowned international manufacturers for which they require well qualified and result oriented professionals.

Selected candidates will be sent to **Canada** for a year's training with the collaborators of the company.

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(MS/5847)

The incumbent should be an electronics & communications engineer with 6-8 years experience in R&D/digital circuit design in the telecommunications field. The candidate will head the R&D division of the company. He will be responsible for product development, design and improvement of product features. A high level of interaction will be necessary with the foreign collaborators of the company.

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(MS/5848)

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(MS/5849)

The candidate should be an electronics/communications engineer with 2-3 years experience in computer aided drafting. There will be an opportunity to progress to the R&D/design division for good performers. Diploma holders with 3-5 years experience in computer aided drafting may also apply.

The company offers excellent growth opportunities and compensation is guaranteed to be better than the best in the industry. Candidates with better qualifications and experience may be considered for higher positions.

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giving full details of age, qualifications, work experience, salary and telephone contact numbers. All applications and envelopes must be marked with the relevant **'MS' numbers.**

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Tata Information Systems Limited (TISL) is a joint venture between IBM World Trade Corporation and Tata Industries Limited.

Its activities will include the manufacture and marketing of high end Personal System/2® systems in India as part of total systems solutions, training & education and export of hardware parts/sub-assemblies & software. Its Headquarters, Software Development Centre and Manufacturing are being established at Bangalore.

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The incumbents for all the above positions should possess a B. Tech/ M. Tech in Computer Science, or an MCA. The position and compensation will be commensurate with experience. Salary will not be a constraint for the right candidate.
Please send in your detailed résumé with a contact telephone number, within 10 days, to the address given below.

TATA INFORMATION SYSTEMS LTD.

An IBM and TATA Company

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Please apply, with detailed resume and a passport size photograph, in strict confidence to:

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Location: Kanpur

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The right candidate will be around 40 years of age and have a degree in Chemical Engineering, with about 15 years' experience in production, technology and areas of process engineering/development in large, Ammonia/Urea/Petro-Chemical plants. He should be conversant with fertilizer input costs, pricing and the business environment.

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TCS and the software process

MIGRATION TOOLS

Reverse Engineering and Re-engineering

Tata Consultancy Services was formed in 1968 in recognition of the growing need for extending **information technology and management consultancy** services to organisations in Government, business and industry in India and abroad. Today, TCS operates worldwide and has over **2,700 qualified professionals** on its rolls.

TCS has ventured into a comprehensive Tools Development Programme to meet its primary requirements of reducing the cost of application migration and improve the quality and usability of generated applications. The objective is to meet the following requirements:

- Increase the automation level and decrease the efforts required in application migration.
- Improve the quality.
- Increase the reusability and maintainability of the code.
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TCS Tools group is developing a number of Software Engineering tools using object-oriented development methodologies.

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The Resident Manager
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Nicco House, 2nd floor
2, Hare Street
Calcutta 700 001
Tel: 209415, 280744

Chaitra-B TCS 489

Shilputsi

Shilputsi Consultants have been retained by **Flying Machine** to recruit a

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(AHMEDABAD)

Flying Machine is India's leading brand in Denim jeans. It has an all India network of distribution and its products command a premium in the market. It also exports its products.

The job: The Chief Executive will be in overall charge of the business with responsibility for managing production, marketing, finance, personnel and sourcing of materials. He will draw up ambitious business plans commensurate with the rapid growth of the garment business in the country and abroad. He would also have to plan additional manufacturing facilities and explore new opportunities for export.

Qualifications: The garment industry is marketing led and we are looking for an individual with a strong background in consumer goods marketing and distribution. He must have experience in developing and sustaining an effective dealer and distribution network. He should have commercial acumen and be good at working capital management.

The candidate should preferably be a post graduate in management. He should have 12 to 15 years of experience, preferably with about 3 years as a profit centre head.

Remuneration: Remuneration is excellent and will compare favourably with similar positions in consumer goods companies in the country.

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Ms. Pratibha Sheth,
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Candidates should be Chartered/Cost Accountants, with a minimum of seven years of financial experience in reputed organisations and should be well conversant with computerised accounting systems, preferably in an engineering firm.

Preferred age: around 35 years.

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DR. R. BANERJEE

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LINTAS CPL 81 2017

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LUPIN

3 GENERAL MANAGERS
INTERNATIONAL BUSINESS DEVELOPMENT

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Each incumbent will have total responsibility for all exports for different geographical zones like North & South America, Africa, etc. Currently, Lupin's annual exports spread over 60 countries are around Rs 60 Crores, comprising of their inhouse hitech products. **Mission is to double exports every year** and therefore the position calls for high commercial acumen; sharp mental reflexes; strong money sense; excellent interpersonal skills and good international marketing experience including product launch and brand promotion. In addition, they will be expected to identify & develop joint venture opportunities in their assigned territories and later on head some of these new overseas ventures. We are therefore looking for **self-starters with thorough knowledge of international markets in a similar industry sector.** Ideal candidates would be Chemical Engineers/Chemistry/Pharmacy Graduates in the age group 35 – 45 with postgraduate degree from IIFT or reputed management institute. Knowledge of barter/counter trade will be helpful.

Our clients are looking for **High Achievers** with proven track record & growth potential and will be willing to negotiate handsome remuneration package. Please write to **B P Agrawal, Chariman** with detailed biodata and mark envelope & enclosures with job title & code GMEL/BPA/3152. All correspondence should be made through courier/speed post and shall be kept in strict confidence.

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NTPC
नेशनल थर्मल पावर कारपोरेशन

National Thermal Power Corporation Ltd.
(A Govt. of India Enterprise)

NTPC, the flagship of national power sector offers opportunities to promising young persons with bright academic record to join the organisation as:

EXECUTIVE TRAINEES

in the areas of

ENGINEERING AND CHEMISTRY

The qualification for Engineering area is Degree in Engineering/Technology in Electrical, Electronics/Telecommunication, Instrumentation or Mechanical with 65% marks in aggregate and for Chemistry area, M.Sc.(Chemistry) with 60% marks in aggregate.

Selected candidates will be placed in the pay scale of **Rs. 2500-120-4300/-** with basic pay of **Rs. 2620/-** during training period and will be absorbed after successful completion of training as Executives in the pay scale of **Rs. 2650-120-4450-130-5100/-.** Current emoluments during training range from **Rs. 3500/-** to **Rs. 4300/- p.m.**

The projected requirement:120. Gen.: 93, SC: 18, ST: 9.

For further details and prescribed application format, please see Employment News dated 28 March-3 April, 1992.

Last Date for receipt of applications: 24th April, 1992

Advt.No. EET-17/02/

Ideas Inc.

GHCL

Gujarat Heavy Chemicals Ltd.

A joint-venture of GIIC and Dalmias

Gujarat Heavy Chemicals Limited, a Rs. 300 crore company is one of the largest joint sector companies in India having its collaboration with AKZO of Netherlands. The company has a strong and committed team of professionals in all fields and has established its presence strongly in the market.

GHCL, today, produces 1200 tonnes of Soda Ash per day achieving a 100% capacity utilization. We see an opportunity of increasing our capacity by 500 tonnes per day through equipment balancing and better management of process inputs and process controls. In order to meet this objective we require process professionals, **IN OUR PLANT AT SUTRAPADA,** at various levels, with experience of 5-20 years who would be designated from **SENIOR PROCESS ENGINEERS** to **GENERAL MANAGER – PROCESS.**

These are key positions in production management. The incumbents should be Chemical Engineering graduates with hands-on experience in Process Control in Heavy Chemicals Industries, Fertilizers and Petrochemicals, varying between 5 and 20 years with a thorough knowledge of all unit operations and be conversant with computerised control systems.

The job includes leading and motivating a team of experienced professionals, helping the unit achieve production targets, improving overall operational efficiency, economising consumption of input resources, co-ordinating between different sections of the plant and ensuring smooth running of the plant. Should have a flair for trouble-shooting and help establish a computer-based on-line analysis and process control system.

The company offers attractive compensation package ranging from Rs. 60,000 to Rs. 1,50,000 per annum, plus accommodation and other perquisites and benefits commensurate with the position.

Interested persons may send in their resume within 10 days, indicating the post applied for, to:

Mr. Ashok Bhattacharya
GUJARAT HEAVY CHEMICALS LIMITED
20, Community Centre, New Friends Colony
New Delhi - 110065
Tel: 683 6064

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Voltas is value.

Issue of 1,14,16,000—14% Secured Redeemable Partly Convertible Debentures of Rs. 100 each for cash at par aggregating Rs. 114.16 crores

HIGHLIGHTS

- Highly diversified operations—7 manufacturing plants—19 offices and 9 branches all over India.
- Unbroken profits and dividends record for 37 years since inception of Company in 1954.
- Between 1986-87 and 1990-91 net worth increased by 100%, gross block by 130%, dividend paid by 161%, after tax profit by 167%, share price by 216%—all this without any additional investment by shareholders.
- Voltas and subsidiary companies are net foreign exchange earners.
- Pending order book exceeds Rs. 1300 crores.
- The Company has been assigned "LAA" rating for its Debentures by Investment Information & Credit Rating Agency of India Ltd. This rating indicates high safety with regard to timely payment of interest and principal.
- The Debentures and the Equity Shares to be allotted on conversion will be listed on the Bombay and six other stock exchanges.

RISK FACTORS

- Among the large range of products manufactured/marketed by the Company are a range of consumer durable products, the sales of which can be affected by higher excise duties, credit squeeze and increased competition from existing and new manufacturers.
- Risk of cost overruns in the implementation of projects.
- Loss of any major distribution and marketing rights could affect viability at specific locations and render personnel surplus.
- Seasonality of demand for soft drinks and increased competition could affect the profitability of the Company's bottling operations.
- The return on investment in Premium Granites Limited and Pepsi Foods Limited will be dependent on operations including exports and profitability of these companies.
- Operations in the current year have been affected by the disruption in supply lines because of import restrictions, by the steep rise in interest cost and the credit squeeze.

RIGHTS ISSUE NOW OPEN

HIGHLIGHTS OF THE ISSUE

Face Value:

Each debenture will have a face value of Rs. 100, comprising two parts—Part 'A' of Rs. 60 (Convertible) and Part 'B' of Rs. 40 (Non-Convertible)

Interest: 14% p.a.

Conversion:

Part 'A' of Rs. 60 per Debenture will be converted into one Equity Share of Rs. 10 at a premium of Rs. 50 per Share on the expiry of 6 months from the date of allotment.

Redemption:
Part 'B' of Rs. 40 per Debenture will be redeemed at par on the expiry of 7th year from the date of allotment.

ICRA Rating for Partly Convertible Debentures 'LAA'

Basis of Offer:
One Debenture for every two shares held on the Record Date i.e. February 12, 1992.

If the Company does not receive the minimum subscription of 90% of the issue amount the entire subscription will be refunded to the applicants within 90 days from the closure of the issue. If there is a delay in refund of such amount by more than ten days the Company will pay interest at the rate of 15% per annum for the delayed period.

Voltas values. Your rights.

VOLTAS LIMITED

19, J.N. Heredia Marg, Ballard Estate, Bombay 400 038.

For further details, Shareholders are requested to contact, or write, quoting folio number, to VOLTAS LIMITED, Share Service Centre, NKM International House, 2nd Floor, 178, Backbay Reclamation, Bombay 400 020.

The last date for receiving requests for split forms is April 8, 1992; the Issue closes on April 24, 1992.

Consultants and Advisers to the Issue:

Tata Financial Services.
(A Division of Tata Sons Limited)
Bombay House, 24, Homi Mody Street, Bombay 400 001.

Lead Managers to the Issue

J.M. Financial & Investment Consultancy Services Limited
141, Maker Chambers III,
Nariman Point,
Bombay 400 021

SBI Capital Markets Limited
202, Maker Towers 'E',
Cuffe Parade,
Bombay 400 005

The Industrial Credit & Investment Corporation of India Limited
Merchant Banking Division
163, Backbay Reclamation
Bombay 400 020

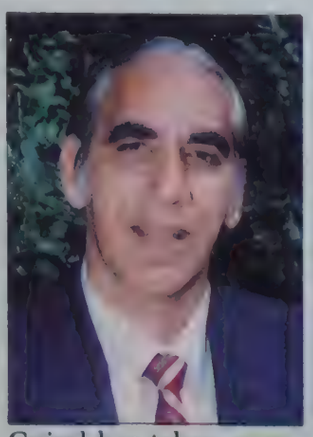
CITIBANK
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Merchant Banking & Corporate Finance
293, D N Road
Bombay 400 001



K. Hazra has joined
egis Chemical
dustries as president &
ief executive officer.



V. Raja has been appointed manager (eastern India) of British Airways.



V. Gujral has taken over as executive director (projects) of Indian Iron & Steel Co (Iisco).



V. D'Silva has been appointed assistant general manager (marketing & business planning) of Batliboi's air-conditioning & refrigeration division.



.M. Khurana has been
ppointed managing
rector of
otz-Blacksmiths.



P. Nilkant has joined Usha Rectifier as director (corporate affairs).



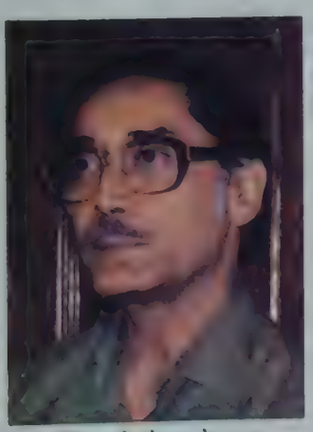
U.K. Modi has been elected chairman of the Sponge Iron Manufacturers Association.



Rakesh Narang has joined HCL Hewlett-Packard as product manager.



. Ahuja has been
ppointed vice-president
head,corporate
nking (New Delhi),of
ank of America.



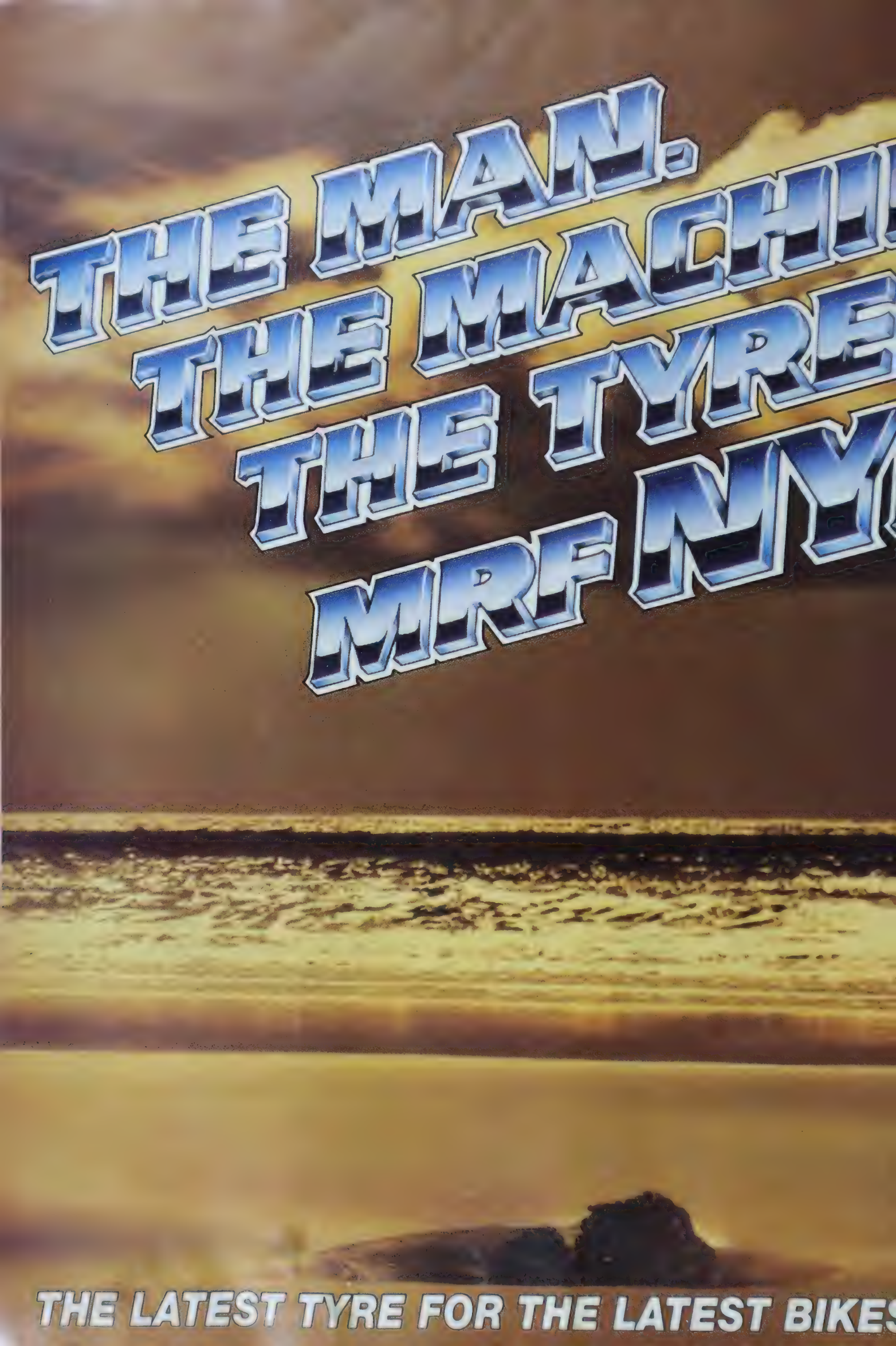
Samir Ghosh has been elected chairman of the Automotive Tyre Manufacturers' Association.



Ullhas Pagey has been promoted as group vice-president (human resource & organisation development) of Apple Industries.



T.P. Bhagat has been promoted as senior vice-president (sales) of Hindalco Industries.


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THE TYRE
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THE LATEST TYRE FOR THE LATEST BIKES


GRIP
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TYRES

Working couples face pangs of...

EXECUTIVE GUILT



Sudhanshu Bakshi (42), a direc
in the ministry of defence, w
thinking of quitting his job a
staying at home. No, he was not
happy with his work. It was his you
daughter he was worried about. Tw
year-old Priya had to be left at a d
care centre for eight hours everyd
while he and his wife (a systems a
lyst) slogged it away at work. Reca
Bakshi: "I just could not concentr
on my work."

Things became better once
mother-in-law moved in and to
over the task of baby sitting. But,
he says, "I still feel very guilty."

Bakshi is not just another over-c
ing parent. He is a member of a re
tively new executive breed: work
couples who are constantly haun
by guilt about leaving their childr
behind at home as they climb the c
porate ladder. Management psycho
gists say nothing tugs more insisten
at executive heartstrings these d
than the fear of shortchanging ch
dren. "Working parents are alwa
aware that they are depriving
child of something," says Veena
poor, a Delhi-based consultant p
chiatrist.

Rupali Sharma first realised
was depriving her daughter of enou
attention when six-year-old M
suddenly started wetting her bed
year ago. Psychiatrists traced
problem to insecurity. Today, the
year-old senior manager of a le
ing public sector concern in De
is a complete bundle of nerv
In the past six months, she
changed three maids. Says Sharma
exasperation: "I feel like a mercen
My husband, too, is shattered.
have spent hundreds of rupees in
past few months on Minu's tr
ment."

Executive guilt — that's what p
chologists call it. The corporate wo
is given to dismissing it as normal
rental concern. At the Delhi-based
lon tyre cord and chemicals comp
SRF, senior personnel manager V
Bharadwaj argues: "Our executives
not suffer from any kind of guilt. E
of them is only trying to ensure
his or her child gets the best in li

et, last year, half-a-dozen of the company's male executives took leave olely on account of their children.

All over India, corporations are beinning to discover that many of their alued executives today are willing to acrifice work time and, sometimes, ver careers to devote themselves to amily matters. Says Shekhar Choudury, who runs an independent placeent agency in Delhi: "Today, when enior executives come to me for jobs, he number of working hours is a maor criteria in their choice of employent."

So much so that one of the reasons or executive discontent hat emerged from a mangement workshop SRF onducted last August was he long working hours that eft company officials little me to spend with their amilies. Says Bharadwaj: We will soon work out sysems and ways to reduce he number of working ours as far as possible."

As executive guilt preads in boardrooms and ffices, it's becoming inreasingly clear that guilt is ot confined to working nothers — fathers are almost as prone as mothers to uccumb to the phenomeon. And they are even nore inclined to grumble bout jobs that exact a toll n their children. Complains Garware Paints excutive Ajay Gupta (name hanged to protect his identy): "Now a days, a lot of ompanies have such extended hours n a regular basis that the family life ets completely ruined."

To be sure, executive guilt is yet too ascent to affect productivity at the orkplace, according to officials at everal corporations. The problem is n emotional one.

As an increasing number of women ecome company executives, dual caeer parents become common. And many find that the price they pay is o high. Several wonder whether the igher salary, the bigger title, or extra rofessional recognition can make up or leaving a toddler in tears each norning, or for returning to a teenager who is angry and hurt each night. You can give them all the money in he world but you cannot buy them the time and energy you should be spending with them," says SmithKline Beecham marketing manager, Anup Chib, who constantly feels guilty about not spending enough time with his 20-month-old daughter, Lara.

Such concern is not unreasonable. For the children of working parents often suffer from insecurity and lack self esteem, even though they are more disciplined and independent in outlook. Explains Kapoor, the psychiatrist: "This is because somewhere along the way they have missed out on consistent attention and love — the basis for self-ego development."

The result? The child becomes moody, tends to be hyperactive and finds it difficult to relate positively to friends and elders. In severe cases, the child (normally in the age group of 7-10 years) plays truant, throws temper tantrums and starts having feeding problems. And, as he grows older, he may take to drugs and anti-social behaviour. Bombay-based counsellor Mani Chhabria says: "It's a case of 'you didn't have time for me earlier, so why are you bothered now'."

Sacrificing careers. Fearing precisely these problems, some working parents sacrifice career opportunities. Ajay Gupta, for instance, quit an earlier job as an advertising agency executive because of the long and irregular working hours he had to put in; his wife, an executive who works for a private company, turned down better paying job offers to avoid going on frequent tours. Concedes Gupta: "Both of us could have been earning much more but we value the time we spend with each other and with our children more."

Chib's lawyer-wife Bindu has given up some of her retainerships to slow down the pace of work. "It's a biological determinant. One of us has to compromise in time and energy and it was easier for Bindu because she was operating on her own." says Chib.

Still, not all are as lucky as the Chibs. Most parents look around for adequate child care arrangements. Take the case of Bharat Petroleum Corp Ltd's (BPCL's) general manager (accounts), Suchitra Gunjikar and her husband, who works for Parle Products. While their seven-year-old elder daughter has been staying with Suchitra's parents right from day one and comes back only on weekends, their younger one goes with her to BPCL's daycare centre. "I do feel bad about the situation but it's something that my husband and I have come to accept since there is no viable alternative," she says.

Clearly, daycare centres are the need of the hour. Says Meeta Gupta,



A BPCL CRECHE: *Well-equipped*

who runs a daycare centre in the capital's posh Ferozshah Road area: "I receive nearly 10 calls everyday." In fact, the response has been so encouraging that she has closed down her old outfit to renovate and open shop in a bigger way.

Unfortunately, most of the daycare centres are run by fly-by-night operators who crowd all the children into a small room and switch on the TV or video. "An ideal creche is one which provides a caring attendant and a large, open place where the children can go and play," says Gupta, who charges Rs 500 a month for each child and requires that food be provided by the parents.



Parents who can hire help — an ayah, a babysitter or someone who can stay with the child throughout the day — are infinitely better off than those who have to bundle the baby and travel halfway across town at the crack of dawn. The child has the comfort of home plus the undevoted attention of one person. "Bringing up a child with an ayah is definitely better than sending him to a daycare centre," says Veena Kapoor.

And working parents who live in a joint family are usually free of any guilt. Air-India's deputy commercial manager for industrial affairs D.H. Khushrokhan, for instance, has never worried about leaving her children behind. When her son and daughter, now 16 and 12, respectively, were young, they were looked after by her parents, in-laws and maid servants. Now, she has a full-time maid. "I have never had any feelings of guilt as far as the bringing up of my children is concerned. I know that they are well cared for. It's part of their growing up and they must learn to cope with it," she says confidently.

Larger issues. Nevertheless, as executive guilt burgeons, some inevitably raise larger issues. Shouldn't employers (and ultimately society) bear the responsibility for such matters? Argues Chib: "Creches need to become social responsibilities rather than individual or organisational responsibilities."

Many corporations such as Bombay's Johnson & Johnson and Hoechst India are recognising this. Under the Factories (Amendment Act), 1976, creches were made mandatory in any organisation that employs 30 women or more. "Now, we are fighting for amending the Act to include not just women but all employees," says Reena Ramachandran, president of the Forum for Women in Public Sector, a Delhi-based body that represents the interests of women who work in state-owned enterprises.

The advantages of such centres are obvious. Parents can drop in at any time. Perhaps most important of all, a good creche at the workplace can ensure quality childcare. Good creches are also an inducement for employees to stay on or join corporations. Says Mira Iyer, who works in the public relations department of the Maurya Sheraton hotel in Delhi: "I joined this hotel because it had a daycare centre."

More and more working couples feel guilty about leaving their children behind as they pursue their careers

Four years ago, Maurya Sheraton opened a daycare centre for the children of employees — both men and women — next to the women's locker room. The two-shift centre can handle 25 children in both shifts.

Some public sector companies offer extremely well-equipped daycare centres. The one at BPCL's refinery near Bombay can take care of about 30 children with a main room, an infants room, a kitchen, a big bathroom with a washing machine and a lobby. What's more, breakfast, lunch, milk and snacks are on the house. The company has also gone beyond the minimum legal requirements of admitting only the children of women employees. Says Vivian Vaz, the social welfare officer who's in charge of the centre: "We are at present the only company in Bombay to offer this facility to male employees also."

Some of them drop their children at the creche. BPCL's senior manager for general accounts, for one. He brings his two-year-old son to the creche every morning.

Daycare centres apart, companies are experimenting on other fronts. Some multinational banks are reported to have introduced flexible timings for employees. "It is purely a case of administrative convenience. If the job is such where flexi-time is possible, then industry will try it," says SRF's Vijay Bharadwaj.

Corporations who have not got as far are looking at more relaxed leave rules. Many are seriously considering the concept of paternity leave. The process has already started indirectly. "Today, if an employee wants leave because his wife is expecting, the company has no reluctance about granting it to him," confirms Bharadwaj.

Indeed, a study by US child experts Edward Zeigler of the Bush Centre in Child Development and Social Policy at Yale University and Thomas Gamble, director of the Edmund L. Thomas Children's Centre at Erie, Pennsylvania, recommended a few months of paid leave for both new parents. According to them, this is always better than proxy parenting. Agrees Chib: "When Lara was born, I took a month off for nappy washing and burping her in the night. Let me tell you, it's great fun."

Society will not know the consequences of the new child-raising patterns for years. "This is the first generation being brought up by creches and maid servants. So, we'll have to wait and see how the children shape up," says Suchitra Gunjikar.

For all the scattered efforts that companies are making to meet employee concerns, there's little doubt that these are too few and half-hearted to assuage executive guilt. Until far more Indian corporations learn to recognise and effectively cope with the problem, one thing's for sure: executive guilt is here to stay.

□ Mahasweta Ghosh Roy and Meenu Shekar

THE ETHICAL QUESTION

Black is black, warbles a pop group in one of its all-time hits. To average mortals, this piece of tautology would at best fetch a yawn. But not for businessmen caught in the rough and tumble of trade, commerce and industry. When deals are struck, rivals checkmated or fortunes gambled, the difference between jet black, ebony, raven and sable could be all important for salving one's conscience and sleeping the sleep of the just.

On a recent spring weekend, close to a hundred company directors, industrialists and academicians congregated in the salubrious environs of the Xavier Labour Relations Institute (XLRI), Jamshedpur, to mull over the basic question: what is business ethics? Explains XLRI director E. Abraham: "Both in Europe and in the US, the question of ethics in business is today one of the most challenging issues confronting the corporate community. In India, too, not only is there awareness of business ethics, but a growing concern for it as well."



PARTICIPANTS AT THE SEMINAR: *Confronting challenging issues*

In keeping with its mission that XLRI must train professional managers "imbued with social and ethical responsibility," the school has been quietly doing some pioneering work on this frontier topic. One factfinding exercise surveyed 125 executives at XLRI's marketing fair in 1990. Revealingly, 70% of those surveyed felt that it is difficult, if not impossible, to be honest while managing the Indian organisation: "Corruption, greed and redtapism, pervasive in their effect, were seen not only as obstacles to fair business practices but also as stumbling blocks to economic progress."

Which they indeed are, avers Thomas Donaldson of the Kennedy Institute of Ethics, Georgetown University (Washington DC), who delivered the keynote address at the conference. According to Donaldson, ethically-based capitalism "can do wonders to create wealth" because ethics helps the market to do its best. In effect, he argues, every bribe lowers the efficiency of the market, whereas every ethical transaction helps allocate resources efficiently. Besides, research in the US shows a positive correlation between ethical practices and profitability, particularly over long time periods.

Seeking satisfaction. Icon of the professional management movement in India Prakash Tandon, who inaugurated the conference with an erudite address, introduced the concept of the "propertyless manager" who fulfils a task for satisfaction rather than personal gain. Quoting the Buddha, Tandon likened the businessman to a honey bee which sucks the honey out of a flower without harming it. Philosophy apart, Tandon found the "complete lack of ethics" in business in this country "shocking."

One of the highlights of the two-day proceedings was the delivery of the second J.R.D. Tata Oration on Ethics in Business by Joseph M. Sciortino, chairman of the Florida-based, $500 million Sysco Food Sytems. (The first oration last year was delivered by Tata himself.) "It is not easy in today's competitive environment to be honest, ethical and to live by the golden rule that you must treat others as you would want to be treated," declared Sciortino, who introduced himself as not an ethicist, nor a moral theologian, nor an expert but "merely the chief executive of a large company doing business in a very tough economic environment, struggling to meet the expectations of corporate management and the stakeholders while maintaining a spirit of decency in our company and a pleasant environment for our employees."

Some of the contemporary macrotrends described by Sciortino on the aspect of corporate social responsibility are:

- We are entering an age of the vigilante consumer who wants to know what's in a product, how it was tested, who produced it and under what working conditions and even where the package will go once it's discarded.
- This is an era in which doing business will have more and more to do with building relationships rather than marketing products.
- The trend in the workplace is toward more open-minded management. Companies are finding that it's much cheaper to keep workers happy than to hire and train replacements.
- Businesses are becoming more sensitive to environmental concerns. Many large and small corporations have created a new position: vice-president of the environment.

Participants had plenty of insights into what's here today and were left to cogitate on what will be arriving tomorrow. A definitive answer to the original question — what is business ethics? — was of course neither sought nor found. But most participants concurred with Abraham when he opined that instead of being intangible, nebulous, imprecise or visionary, the ethical business climate could be equally as precise and concrete as money, material, machines and people that make industry.

□ Sujoy Gupta

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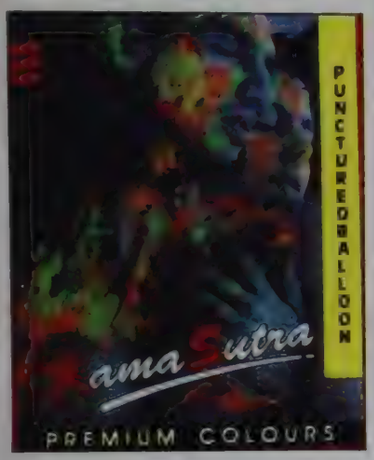
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HOLI KAMASUTRA

The KamaSutra Kraze just won't stop. A colleague received a Holi greetings card the other day, featuring what looked a dead ringer to the now-famous condom ad. Neatly cellotaped inside was a blue balloon. The accompanying caption read: *Bura Na Mano, Holi Hai!*

A closer look at the 'ad' revealed subtle alterations to the copy. It started with: "The KamaSutra



Balloon. For An Act of Love..." and went on to explain that "whether you believe that your balcony is the ultimate place to play or that green grass is a better alternative to satin colours, you'll discover that KamaSutra balloons play along with your actions accordingly."

Wonder if somebody sent one of these to Alyque Padamsee.

BACK ON COURSE

When Vijay Mallya threatened to quit the turf a few months ago, the racing community went into a deep shock. The sport, everybody concerned agreed, wouldn't be the same without the booze baron — more to the point, without his big bucks.

Punters, bookies, riders, breeders and race authorities across the country breathed a collective sigh of relief when Mallya changed his mind and came back to the courses. And the man himself signalled his return in fine style; Bugs Bunny, a filly he jointly owns with Yadvendra and Raghuvendra Singh, won the Classic Indian Turf Invitation Cup.

After the race, when Mallya posed for photographers with the glittering trophy and ITC chairman K.L. Chugh, there was no talk of quitting. Racing, as any experienced turf aficionado will tell you, is an addiction that's hard to give up — particularly when you're winning.

THE UPPER CREST?

Still on the subject of racing, here's a (hypothetical) question: which of your shirts would you put on a horse that's absolutely guaranteed to win?

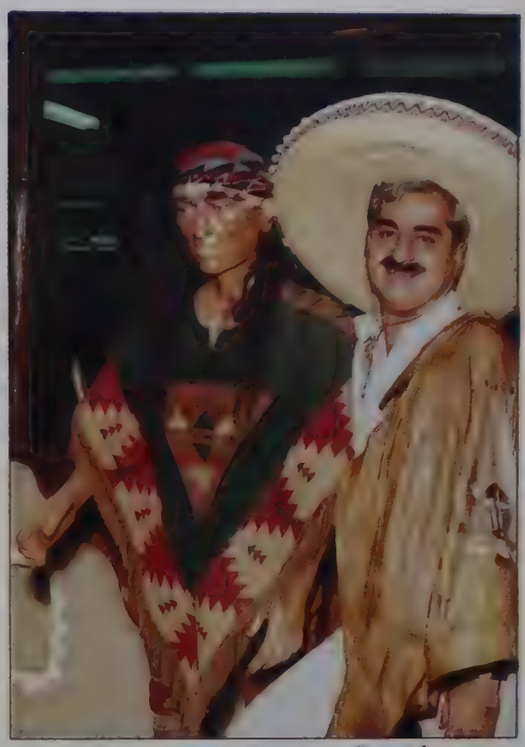
The choice is entirely your own, of course, but we have some tips, straight from the (clothes) horse's mouth. If you really want to make a killing, there's nothing better than Charagh Din's most expensive shirt. Made from the finest pure silk and adorned with mother-of-pearl buttons, this one carries a hefty Rs 1,790 price tag. Whew!

MALLYA (L) & CHUGH: *Not bugged any more*



Next in line is a Rs 1,000 Bangalore silk creation from Zodiac. It won't take the shirt off your back, but you won't loaf around the house with it either.

If both of the above are beyond your budget, keep your shirt on; lower down in the order are a Van Heusen (Rs 910, pure silk, plain or printed) and a Park Avenue (Rs 800).



VIKRAM AHUJA WITH GERONIMO: *Providing colour*

CALL OF THE WILD

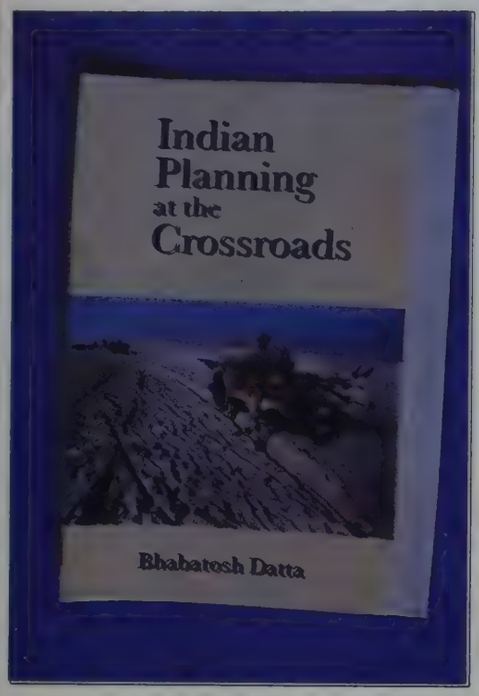
How'd you like to bring a little of the Wild West into your drawing room? Or your wardrobe, for that matter? If the images of the Mojave desert and the Rio Grande turn you on, check out Shyam Ahuja's new Santa Fe collection.

A section of Ahuja's Worli showroom has been turned into a Red Indian village of sorts, complete with a life-sized clay horse and a colourfully-attired Apache brave. On display are a range of furnishings, decoratives, bags and leather jackets — many of which are hand-painted, with colours and patterns reminiscent of the cowboy comics you loved when still in school.

Warning: the price-tags would draw a gasp from even the expressionless Chief Geronimo. The bedcovers start at Rs 3,460 and stop only just short of Rs 9,000. Cushion covers range from Rs 200 to Rs 2,000. Clay pots vary from Rs 250 to Rs 3,500, while the jackets are priced uniformly at Rs 4,000. A large Navajo tote bag can set you back by Rs 1,800.

Vikram Ahuja, who looks after the administrative side of his father's business, is pretty confident that the collection will do well. "The ethnic Indian look has been around for too long. People now want to look at something new; something that provides colour, drama and simplicity," he says. The Santa Fe collection may be just what the witch doctor ordered.

PROBLEMS OF RESTRUCTURING



(By Bhabatosh Datta; Oxford University Press; 1992; pp 251; Rs 250.)

This book of essays constitutes a running commentary on the problems of the Indian economy during 1985-90. Bhabatosh Datta, emeritus professor of economics at Presidency College, Calcutta and a Padma Vibhushan awardee, deals here with such topical issues as monetary reform, fiscal deficits, export performance, import policy, external debt, IMF adjustments, World Bank loans and devaluation. The other issues discussed include the phenomena of commissions, kickbacks and bribes, the impact of black money, nationalised banks and their performance, and the public sector vs the private sector. The following excerpt is taken from the epilogue where Datta comments on the economic changes initiated by the Narasimha Rao administration.

It will take time to bring the new Indian perestroika into full operation, but if the continuing political hurdles can be overcome, the Indian industrial economy will stand largely restructured at the end of three or four years. But restructuring by itself does not mean a social and economic improvement. The expectations of the government, encouraged by the international financial institutions and supported by the local industrialists, is that freedom to invest and produce — with capital from all possible sources, internal and external — will lead to competitive production and larger outputs. The gross domestic product (GDP) will increase fast and the macroeconomic imbalances will be mitigated. It is this thesis that requires to be examined in depth.

First, the competitive solution has never been fully realised in real life anywhere in the world. Actual competition has always been imperfect and it has often led to its own negation through the formation of oligopolies, cartels, mergers and monopolies. In theory, competition is the antithesis of monopoly; in practice, it means the freedom to turn the market forces to the advantage of powerful economic groups. There is, also, the question about the extent to which competition is politically permissible in the labour market.

Secondly, investment dependent on market forces or market signals will move towards areas in which private profits are high. Opening up of competition in India will mean that high-priced consumer durables will be produced for the upper 10 or 20% of the households, while essentials for the poorer groups — necessarily yielding low profits — will not attract investment. The fact is often forgotten that 20% of the Indian population comes to nearly 170 million, which is between two and three times the entire population of Great Britain, France, Italy or any other west European country. The local producer and the multinationals cater to this substantial market provided by the top income brackets. The vast majority of the population, with their low purchasing power, provide a poor market for the high-profit goods. Real income distribution rests basically on the distribution of real outputs, and from this standpoint, it can be easily seen that the entitlements of the impoverished majority will be sacrificed to the satisfaction of the demands of the richer groups. The realised growth of the GDP will mean growth of the wrong basket of goods.

Distribution problem. It is this distribution problem which is the key to the question of social and economic justice. The competitive solution, even when it is theoretically perfect with all its unrealistic assumptions, does not indicate the desirability or otherwise of a change in distribution, except in the improbable case where a particular policy decision means benefit to everyone or, at least, means some gains to some without any loss to anyone else. The real-life situation cannot be a perfect replica of this state of things. Reduction of inequalities in income distribution has to be a major plank in the social policy of an overcrowded poor country. This is partly a problem of employment creation. Employment may be created by the new investment under the restructured system, but the system will be mainly capital-intensive. Without close regulatory supervision, there may be stagnation or even a decline in employment generation.

Reduction of inequalities in income distribution has to be a major plank of the social policy

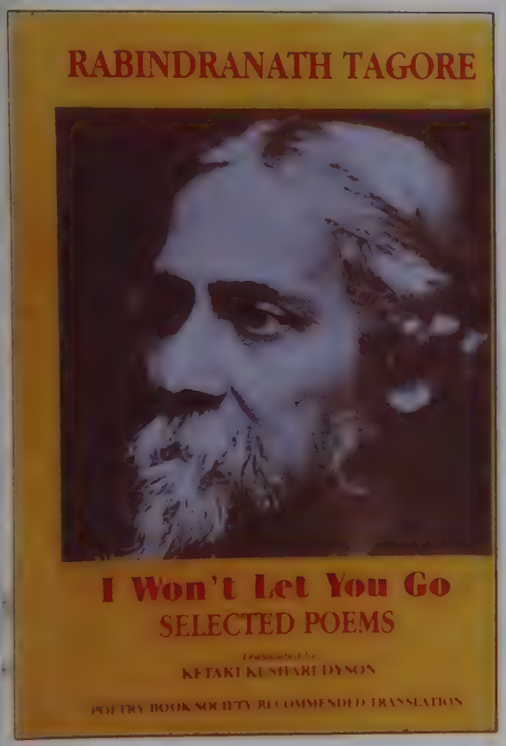
If all the action dictated by the new industrial policy is successful, then five years later, the country will find high-priced consumer durables and high-income consumer goods in plentiful supply in the markets. Free imports will send many Indian industrial units to liquidation, but there will be the other units, more powerful and more vocal, which will keep the engines going. If external advice is adopted, the official programmes of poverty

alleviation will be severely curtailed.

The Indian economic system does require reform in many directions. There is a plethora of unnecessary controls and vexatious rules and regulations. There are public sector units which deserve privatisation and even outright liquidation. These have to be chosen with care on the basis of their performance and prospects. In any case, the practice of using privatisation as a budget support measure opens up the doors of a dangerous future.

These and many other questions deserve full attention before major structural changes are introduced. And there is the danger that, as in many Latin American countries, the changes initiated under pressure will break down before any progress has been made, throwing the country into an irretrievable economic impasse. It seems that the new enthusiasm among the Indian policymakers makes them forget that it is not simply the process of Indian planning, but the course of the whole Indian economy that is still at the crossroads. In fact, with the curious mixture of protestations about the welfare of the masses and the growth of the 'sophisticated' economic sector, the roads run criss-cross over the field, with the possibility of wrong turns not simply at one crossing, but at a number of points. It is also possible that government policies will get distorted — now in favour of one group and later in favour of another — under strong pressures from conflicting forces. The finance minister's statement that there were wrong policies in the eighties may recoil on the government. Ten years from now, a new finance minister may again speak about an 'unprecedented economic crisis' brought about by wrong policies pursued in the nineties.

EASY IDIOM



(Translated by Ketaki Kushari Dyson; UBS Publishers' Distributors, New Delhi; 1992; pp 272; Rs 150.)

This is undoubtedly the best book yet in the recent spate of Tagore translations from abroad. (The book originally appeared from Britain.) Ketaki Kushari Dyson has chosen some 140 poems from the whole range of Tagore's career. Curiously, though, the *Gitanjali/Gitimalya* phase with its distinctively lucid, graceful vein of spirituality is relegated to the songs at the end. There is a substantial introduction, copious notes on the history and meaning of each piece, and a glossary. We also have a valuable bonus in the form of 23 photographs, some of them of considerable archival interest.

Ketaki has two great assets, apart from the general accuracy of her renderings. (There have been gross errors in other recent volumes.) She can convey the formal impact of a poem by working out a structured yet reasonably free verse-model and stanza-form, reflecting the fine-tuned, subtle architecture of the original pieces without being fussily slavish or artificial. Also, she can reproduce the original's simplicity of tone — perhaps a feature of the Bengali language — whereby abstruse and challenging ideas achieve a rare specificity and translucence of expression.

In her renderings, this is brought out through an easy but taut idiom that should find favour in an age trained on the movements of modern poetry and unresponsive to the archaic lyricism of Tagore's own translations of his work. It says much for Ketaki's prowess that the poems of childhood from *Shishu* come across in refreshingly unsentimental vein.

Of course, there are many things one can disagree or find fault with. In this reviewer's judgement, Ketaki's sense of free-verse rhythm often falters, producing limping or clumsy lines. She is habitually prone to mixing registers of idiom, running together the sublime, the formal and the colloquial. Particularly disconcerting is the use of modern slang and colloquialisms. 'Mum' and 'Dad' in *Shishu* may pass muster; surely not 'A Stressful Time,' with its all-too-limited aura of cardiac ailment, for the profound *Duhsamay*. In a famous song, *laglo jey dol*, describing the sway or roll of the spring breeze through creation, becomes 'It's swinging time,' with its preposterous suggestion of the disco.

Digressions. The introduction is informative but haphazard, veering between sections on the poet's family, his own life, and his work and significance. There is too much about the translator's own (often trivialised or merely private) response to poems, or at times even anecdotes from her own life. And was the final section, on the women in Tagore's life, really called for?

But much as one may cavil, this remains an immensely rich, painstaking work. Ketaki is best with the songs and short lyrics. Here she is most clearly in control of the form, and produces some remarkable gem-like pieces. The longer translations, as one might expect, are somewhat slacker; but as I observed earlier, the lucid natural profundity of Tagore's perception is usually retained. There lies the translator's achievement.

□ Sukanta Chaudhuri
Chaudhuri is professor of English at Jadavpur University, Calcutta.

Vikram Thapar

STUDY IN CONTRASTS

It's a Saturday morning. At his spacious Vasant Vihar home in south Delhi, he lounges casually in an armchair, dressed in a checked shirt and trousers. The richly carpeted drawing room is large, but by no means overwhelmingly proportioned. Paintings by Bikash Bhattacharya and old Calcutta prints adorn the walls. "Actually, I have some Ganesh Pynes too," he confides. The man himself is not quite an obsessive collector of paintings: the fishing rod and the outdoors are more his style.

But that's Vikram Thapar all the way: chartered accountant, passionate angler, builder of intricate ship models, occasional gourmet cook, family man, deputy managing director of Ballarpur Industries, a possible successor to Thapar group chairman Lalit Mohar Thapar — and a study in contrasts.

Indeed, there's a lot that's deceptive about this stocky Thapar. With greying hair, bristled moustache and bottle-glass spectacles, he looks older than 44-going-on-45. And though he talks rapidly, the words tumbling out one after the other, he can exhibit astonishing patience when working at a hobby. And had it not been for the family name and wealth, Vikram Thapar could effortlessly pass off for the archetypal affable yuppie.

So if he'd not been born into the Thapar family, would he have ended up as a practising chartered accountant? "No. I hate accounts. Remember the saying: 'Go West, young man?' I'd have gone West," he says.

Actually, there was no question of not joining the family business. As he puts it, it was all pre-ordained, and he didn't mind really.

After a stint at Miss Higgins, a private Calcutta school, he proceeded to Doon School. Yes, Sanjay Gandhi was his batchmate. ("Sanjay was the kind of guy who made an awful enemy and a damn good friend. Sanjay wasn't petty — I'll say that for him.") Next came a year at an engineering college in Patiala, followed by a week at the Indian Institute of Technology (IIT) in the capital, which he didn't take to. Instead, he headed for Calcutta, a bachelor's degree in commerce and, simultaneously, chartered accountancy at Price Waterhouse.



THAPAR: *Engrossed in his real passion*

What followed was equally inevitable. Starting as a junior executive, he did the rounds of Thapar enterprises, spending about two-and-a-half months at each, before being posted in 1973, first as an assistant to the general manager at the group's caustic soda plant in Karwar in north Karnataka, and then as an assistant general manager.

So, wasn't it awkward being a family member in these circumstances? Was he treated differently from the rest of the crowd? No, insists Vikram Thapar. "You don't really get kid glove treatment. You're given a job to do and expected to do it well. The question is: can you always be better than whoever else is capable of doing the job? You've to prove it to the best of your ability."

According to a Thapar group executive, real power came to Vikram Thapar only after he was appointed deputy managing director of Ballarpur Industries in 1989. "That was when he got big power. All major expenditure required his sanction," says the executive. Asked to describe his current responsibilities, Vikram Thapar grins: "LMT (L.M. Thapar) makes the policies. I implement them."

Indeed, company insiders describe Vikram's style of functioning as very hands on. "He loves to go into even the smallest detail," says a source. Citing an example, the source said that salt had to be transported to the group's Karwar plant; the deputy managing director travelled all over south India to find out where barges could be hired at the lowest rates.

Thapar admits that he succumbs to the temptation to get involved in day-to-day matters. "When you get a line function, it spoils you because you see

the results of your decisions take shape in front of you."

Key decisions, he says, are taken by consensus. And when it comes to his cousins, matters are decided informally over lunch. According to Vikram, the Thapar cousins meet once a week or perhaps oftener and settle several issues. At a recent meeting over lunch, the matter of cash for a rights issue was settled informally, with the cousins agreeing to ante up.

Yet there's little doubt that his initial years in the Thapar group were formative — in more senses than one. "For two-and-a-half years, they post you in the wilderness, but there's good fishing, good shooting."

There was Chinese and Thai cooking too. Still a bachelor during his Karwar days, Thapar depended on a cook. "He was a damn good cook, but cooked *desi khana*. There's a limit to how many *chappatis, phulkas, parotas* one can eat. I wanted a change, for God's sake. So I had to learn how, to teach him how."

He picked up the hows from a cook book, starting first with prawn cocktails and tuna salads before graduating to Chinese and Thai cuisine. He still tinkers with recipes and puts on an apron occasionally to instruct his cook. "Generally, it's more instruction than participation," he confesses.

REAL PASSION

But his real passion is not cooking, but fishing (a hobby he picked up during his school days). He sits in his armchair and demonstrates the basics of making a fishing fly. First, he meticulously threads a black thread around a fishing hook. Next, he strips feathers off a long quilled feather and attaches these to the hook with the aid of more black thread. The operation continues with more feathers of different hues, a process interrupted only by the tying of a silver thread around the hook.

Like any angler worth his salt Thapar makes his own flies. This time, however, it takes him over 15 minutes. "I'm out of touch but after a day or two in Kashmir I can make a fly in five minutes," he says proudly.

He last fished in Kashmir more than a year ago, though he did dip his rod on a recent business trip to New Zealand. "I've fished in a lot of places. I've fished in Bhutan, Assam, Nepal."

He's also taught wife Jyoti,his two daughters and assorted cousins how to fish. "Fishing started when I was in school. I like the outdoors. I particularly like the mountains. But I refuse to go to any hill station where there's no running water."



THAPAR & SHIP MODEL: *Going 'cross-eyed'!*

Then he brings out The Harvey. "That's nine months of week-end effort," he says, pointing to the finely crafted model 1847 Baltimore clipper. "The rigging took three months. It's very detailed work." Then he chuckles: "It keeps me off smoking. You can't smoke and build boats." An inveterate smoker, Thapar lights up Dunhills all too frequently.

His latest model boat-building project is the Danmark, a turn-of-the-century Swedish sail-cum-steam training vessel. His non-resident sister gifted the kit several weeks ago. He's only started on the hull. "I'm too lazy. I've been watching the box: Star TV."

Doesn't building boats tax his patience? "Forget the bloody patience. It's your damn eyes. You get cross-eyed by the time you finish," he explodes, only half in jest.

His third hobby, according to a company executive, is reading. "He does a lot of reading — economics, literature, and so on," says the executive adding: "His knowledge is wide, and he has a range of interests."

With all this on at home, he refuses to let the office spill over into his domestic life, preferring instead to sit late at Thapar House till he completes his day's task. He says he's in the office by 10 am and usually leaves by 6 pm unless he is detained by work. "That's correct," agrees wife Jyoti. Over at the office he's known to have strong likes and dislikes. And if he does have a failing, it is that he tends to overly trust those he likes. A wag in the Thapar group says sardonically: "The Thapar's prayer should be: God save us from our friends."

Quite predictably, Inder Mohan Thapar's eldest son stands at the right of the ideological spectrum. "I'm a capitalist," declares Vikram Thapar. "In India, you've obviously to say you're a socialist. And you do have to empathise with the common man in this country. He's always been at the receiving end of the stick. Our ethos is very largely to blame. The national ethos is awful — it's not a competitive ethos."

Thapar, however, is competitive — and ambitious — enough. He shares his uncle's belief that exports are an important edifice of the group's future plans. Much of his current pre-occupation is an ambitious Rs 42 crore, export-oriented aquaculture project, which he says was his idea. One upshot: he's very *au fait* with marine life. Ask him about prawns, snails and assorted forms of marine life, and he'll enthusiastically give you the low-down on each.

But Vikram Thapar is clearly fishing for much more than aquaculture projects in the years ahead. He's plainly hoping to become group chairman some day. Asked whether he'll take over as chairman after uncle Lalit Mohan Thapar retires, he replies: "I hope so. But the family will decide." Then, he laughs: "In our family, no one steps down. My father is 72, and he's still going strong." At the moment, so's Vikram Thapar.

□ Palakunnathu G. Mathai

What does Bharti Deveshwar do when she is not entertaining guests for her husband, Y.C. Deveshwar, chairman of Air India? She designs and sells an exclusive range of saris from the south and, now, even Bengal. "My regular summer sales are a stupendous success, selling more than 75% of the stocks, and I always have to have a repeat performance," she says proudly.

It all began six years ago when Deveshwar was helping out in a friend's exhibition at Calcutta. "I realised that I, too, had a passion for textiles." Today, Anchal — as she calls her outfit — weaves out an exclusive range of cottons and silks from Kancheepuram, Venkatgiri and Pochampalli, besides Jamdanis and Tangails from West Bengal.



DEVESHWAR: *A passion for textiles*

Besides catering to various showrooms in Delhi and Bombay, Deveshwar has clients in Kanpur, Meerut and even Pakistan. Encouraged by the success, she was even planning to open a boutique in the capital. Unfortunately, her husband's new posting was in Bombay and she decided to move with him. "All said and done, I am not a hardcore businesswoman," she says. Not yet, that is.

But, if the crowds at her clearance sale held at the Maurya Sheraton hotel a fortnight ago gave any indication, she may soon be forced to become one.

He is the new light at Mysore Lamp Works (MLW). Subir Hari Singh, who took over as managing director of the Bangalore-based joint-sector lighting company, is focusing his energies on growth avenues. "We must move a little further away from general lighting service bulbs."



SINGH: *A ray of hope*

His plans include sustaining the company's 22% growth rate by getting into more value-added lighting products — metal halide lamps, compact fluorescent tubes, mercury and sodium vapour lamps are some of the products he has in mind.

Singh hopes to turn MLW into an integrated lighting design and installation company. And, working towards that end, the company is going full steam ahead on illumination projects. It has already illuminated such monuments as the Gomateswara statue, the Gol Gumbaz and the Mysore Palace, all in Karnataka. Next in line is a foray into the north, with the Purana Quila in Delhi and the Chittorgarh Fort in Rajasthan.

That certainly throws some light on what is in store for the lighting company.

Dinesh Keskar missed the taste of home so much, he set up an Indian restaurant in his adopted hometown, Seattle, Washington State. As it turned out, he was one of his own best customers — and the venture crash-landed.

Fortunately for his taste-buds, the director (international sales) of Boeing Commercial Airplane now spends a lot of his time in India. "And whenever I'm here, I stick to a strictly Indian-only diet."

Most of the time, though, he's providing New Delhi, Air India and Indian Airlines with food for thought. Keskar's primary objective is to sell Boeing's revolutionary new 777 jet. The competition from the old enemy, Airbus Industrie, will be furious, but Keskar has a bagful of statistics and technical reports that say his product is better suited for the airlines' needs.

"Both Air India and Indian Airlines have ambitious plans to expand their fleet, and we're pretty confident they'll consider the 777 favourably," he says. Here's hoping that doesn't turn out to be jus a flight of fancy.

KESKAR: *Flying high*





Would this describe the average corporate brain when it comes to courier services?

The most seasoned corporate brains seem to have their blind spots.

Why else would otherwise-astute and on-the-ball executives still take the outmoded and erroneous view that anything that costs more is better?

Is that how contracts are decided, deals made or financial matters concluded?

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BUSINESS QUOTES



There are 250 million Indians who can afford our products and half of them live in rural areas.

Pepsi Foods chief Ramesh Vangal, quoted in The Afternoon Despatch & Courier.

You have a situation today where the mere sight of the chairman of the Industrial Credit & Investment Corp of India (ICICI) and Harshad Mehta discussing the most mundane of topics, say the Cricket World Cup, could lead to a rise of Rs 1,000 in the price of the ICICI scrip!

Videocon International director S.K. Shelgikar, quoted in Dalal Street.

Haldia Petrochemicals is a capital-intensive project. Instead of one Haldia, there should have been a 100 projects worth Rs 10 crore.

Tractors India managing director Abhijit Mazoomdar, quoted in Sunday.

One of the greatest virtues of India is that we do not do things too fast.

Britannia Industries chairman J.M. Rajan Pillai, quoted in Sunday Mail.

So far we have been tying the growth of Indian tourism to the apron strings of Air India.

Union minister for civil aviation & tourism Madhavrao Scindia, quoted in The Pioneer.

We have always known that there are conditions attached to borrowing money from the International Monetary Fund and the World Bank because there is no such thing as a free lunch.

Finance minister Manmohan Singh, quoted in The Economic Times.

There were times when we thought we were going bankrupt. Not any longer.

Union Carbide India chairman Vijay Gokhale, quoted in India Today.

An Indian company was ignored despite its capability.

Bharat Heavy Electricals general manager T.S. Nanda on his company losing a prestigious locomotive contract to a Swiss firm, quoted in The Observer of Business & Politics.

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BANKING & FINANCE

PAPER CHASE

The commercial paper market is fast coming into its own. And many corporate bigwigs have lined up for a piece of the action.

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ECONOMY

FREEING TRADE: ALMOST



CHIDAMBARAM: *Ushering in a freer regime*

The government's latest export-import policy, unveiled by commerce minister P. Chidambaram, lifts most controls on trade and paves the way for a free market regime. Most businessmen hurrah the new policy, but some see problems.

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EXIM SCRIPS: RIP

The Union budget called off the exim scrip experiment. What are all the operators who took the plunge in this arena doing now?

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INTERVIEW

"SEBI WILL BE FRIENDLY"

The job of the Securities & Exchange Board of India (Sebi) has become more important these days with the markets shooting through the roof and the fly-by-night operators returning in full force. Chairman G.V. Ramakrishna says that Sebi is gearing up to do its bit.

RAMAKRISHNA: *Market watchdog*





MRF HQ & MAPPILLAI (INSET): *Ambitious plans*

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COVER STORY

TYRE CHAMP

The Madras-based Rs 740-crore MRF is the big boy in the tyre industry. While chairman & managing director Kandathil Mammen Mammen Mappillai says that the accent will now be on consolidation, there are a lot of exciting things happening in the company.

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INFORMATIONWORLD

HOMING IN, GRADUALLY

In schools across the country, thousands of pre-teens are being initiated into the intricacies of information technology. And, if you'll believe their proud parents, there is a fledgling computer whizkid in virtually every middle- and upper-class home.

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INVESTMENTWORLD

"THERE WILL BE A CORRECTION"

So says big bull Harshad Mehta. But he is also confident that the market can take it in its stride and gallop to newer peaks.



MEHTA: *Bullish as ever*

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EXECUTIVE LUNCHES: SLIMMING DOWN

Not very long ago, executive lunches were elaborate affairs with a bar, uniformed bearers, menu cards and what have you. Today, companies are trimming their lunch budgets. It is the era of packed lunches, buffets, subsidised canteens and even the *dabba-wallah*.

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CORPORATE

A BITTER PILL



PAL: *Feeling the pinch*

Manmohan Singh's budget has drawn rave reviews from industry at large. But not from Cadbury India which is having to cope with the additional excise impost on cocoa and cocoa-based products. Chairman & managing director C.Y. Pal considers it an unkind cut.

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The Eicher group's five-year perspective plan



LAL: *New strategies*

has had to be dustbinned. But chairman Vikram Lal is cautiously going ahead with expansions, acquisitions and an export thrust.

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NAIR: *Good show*

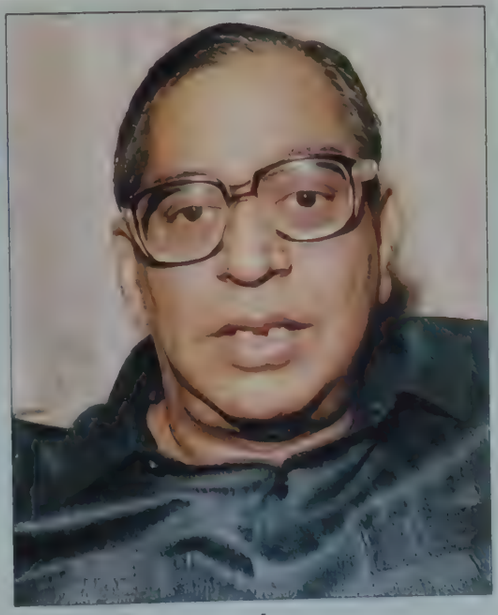
The Bokaro steel plant (BSP) of the Steel Authority of India is all set to earn a net profit of Rs 250 crore. Managing director M.R.R. Nair attributes the performance to a change in the work culture.

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SPOTLIGHT

WINDS OF CHANGE AT ICICI



VAGHUL: *Overseeing change*

Industrial Credit & Investment Corp of India (ICICI) was the first financial institution to make a public issue and dilute government control. Chairman N. Vaghul sees a lot of changes in the way ICICI will be doing business in the future.

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COME UP TO A NEW HIGH



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27 APR 1992
C. P. T. R. I., MYS

POLICY WITH PROMISE

The new five-year export-import policy unveiled by Union minister of state for commerce P. Chidambaram earlier this month matches delivery with promise.

The basic change of philosophy is reflected by the fact that the accompanying bill seeks to "develop and regulate" foreign trade rather than to "control" it. The resultant policy is simple, concise and clear-cut. Gone are the voluminous minutae where a misplaced comma could blindly change the rules of control and leave frustrated exporters desperate to get the typographical error corrected.

The 1992-97 foreign trade policy is best seen as a logical continuation of the Narasimha Rao administration's ongoing liberalisation process. It underlines the need for contemporaneity by giving an impetus to the use of better technology, and to the facilitation of more efficient production. Implicit in the new policy is the stress on quality; the move towards a national campaign for quality awareness is indeed welcome.

Understandably, trade is euphoric and apex chambers are already talking of a 12% growth in exports in 1992-93. Nothing is more effective than motivated participants and, on this score, Chidambaram seems to have successfully enthused the appropriate subsector. He has done his job well — part of which is to transfer to industry the onus of responsibility for delivering results.

One must add, though, that the Union government must remember to continue doing its job well. And the best thing it can do is to ensure that the stability of this five-year policy is not cosmetic. In other words, it should resist the temptation of making changes in the policy as a result of pressure-tactics, bullying, favouritism or worse. A change should be made if and only if it is demonstrably and obviously in the public interest; not otherwise. Any step which could possibly upset exporters' plans, projections and prospects must be avoided.

The proof of the pudding is in its eating. The nation now awaits the growth curve with anticipation.



The government should resist the temptation of making changes in the policy as a result of pressure-tactics, favouritism or worse

Is this what most corporations lose when the choose a courier service?



In certain matters, men who matter in the corporate world are as subject to conditioning as anyone else.

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LETTERS TO THE EDITOR



SPECULATIVE SPREE

This refers to the Business Feature 'Will the bull run last?' (*BW* 25 March-7 April 1992). The boom in the stockmarket is a temporary one and when the market stabilises thousands of investors will lose a lot of money. It seems this government wants people to speculate and become more idle. By discouraging savings and investments (by withdrawing incentives for the same in the budget) the government perhaps wants people to spend all their money. And with no savings, people may not even have enough money to pay taxes!

Mahesh Kumar
New Delhi

OVER-ESTIMATION

In the Trends article 'The living-it-up industry' (*BW* 11-24 March 1992), the 'living-it-up generation' has been defined by its income level of Rs 6,000-10,000 a month and age between 28 and 40 years. So far, so good. What is however baffling is that its number is "estimated varyingly between 150 million and 200 million." If this estimation is correct, the 'yuppie generation' would account for 17.04-22.72% of our 880 million population which, to say the least, is a gross over-estimation.

I. Vidyadhar
New Delhi

The figure referred to is the total middle-class population. — Editor.

WRONG STATEMENT

It is heartening to read about the export of home appliances from India in the Marketingspeak column 'We won't be me-toos' (*BW* 11-24 March). However, we disagree with Usha International executive director S.K. Wadhwa's statement that Lexus heat convectors are "the only home appliances ever to be sent out of India." Food processors, mixer-grinders and electric irons of other reputed Indian brands — Sumeet, Inalsa, Surya Morphy Richards etc — have also been exported in the past. With the devaluation of the rupee and the rapidly-changing quality culture amongst many small-scale manufacturers in India, one can look forward to many more Indian home appliances and consumer durables making a mark overseas. If similar products manufactured in Hongkong and Taiwan have been able to compete with Japanese and European brands, there is no reason why Indian products cannot.

Ramesh A. Vaswani
Vice-president
Inalsa
New Delhi

CLARIFICATION

This refers to the Corporate report 'Kar Mobiles: shifting focus' (*BW* 11-24 March). There are one or two statements that need to be set right. Our import content is 55% of the raw material consumed and not 55% of turnover, as implied.

Though Escorts Pistons and India Pistons have been included in the list of our competitors, these companies do not produce valves and, according to our information, have no plans to do so in the near future. The company's electricity business was taken over by Kerala State Electricity Board and not Karnataka State Electricity Board.

Engine Valves, being the largest manufacturers of valves in the country, has a major share in the replacement market and a fair share of original equipment business. Kar Mobiles has approximately 50% of the valves market and 25% of the replacement market.

V.P. Aghoram
Managing director
Kar Mobiles
Bangalore

SURPLUS STAFF

This refers to the Corporate report 'Dunlop: trying times' (*BW* 11-24 March). The fiscal fiasco at Dunlop is an inheritance from the Goenkas who ruined the company. The company is like an overloaded ship, and if the management does not offload some people, it will surely sink. About 2,000-3,000 workers from the Sahaganj and Ambattur factories can be retrenched; of the clerical staff 30% will be found redundant. Similarly, among the management 50% are either inefficient or surplus. With such a set-up how can the company expect to survive? Giving a golden handshake is cheaper than maintaining an unproductive force.

U.S. Iyer
Bangalore

CORRECT FOCUS

This refers to the Business Feature 'Merger mania' (*BW* 1-14 January 1992). In the box article on 'Merger merchants' the author quoted an unnamed executive of Standard Chartered Bank who is reported to have stated that "corporate clients think that we are not equipped to handle such merger and acquisition (M&A) deals." This is contrary to the true picture since Standard Chartered is one of the most active banks in the M&A field in India and has been executing a substantial part of this business in the recent past. We consciously maintain a low profile due to the highly-confidential nature of this business, an aspect which has rightly been highlighted in the article.

R. Kannan
Executive director
(investment banking division)
Standard Chartered
Bombay

DUNLOP HOUSE: *A legacy of problems?*



MEDIA FORAYS

The Thapars may wind up doing what the Ambanis set out to do — give India's media barons a run for their money.

On the Thapars' long-term agenda is far more than just launching a Bombay edition of *The Pioneer* or bringing *Swatantra Bharat*, the Lucknow-based Hindi newspaper, to the capital. According to Thapar House sources, the Thapars are considering the possibility of launching a financial newspaper, an advertising and marketing magazine to take on *A&M*, the trade publication that now rules that roost, and a general newsmagazine (translation: a competitor to Aroon Purie's *India Today*).

The Thapars believe that *India Today* is vulnerable to competition and are understood to have set aside some Rs 15 crore to launch a newsmagazine. However, this does not lie in the immediate Thapar future: the project may be unveiled two or three years down the road.

THE PIONEER: *Only the beginning ?*


THE PIONEER

Regional meet on N issue may spell acrimony

Members trade charges over TDP split

DENT may get SFR status

QUALITY DRIVE

The influential Confederation of Indian Industry (CII — formerly the Confederation of Engineering Industries) is kicking off an Indian Foundation for Quality Management. CII, currently presided over by Delhi industrialist Dhruv Sawhney, has been spearheading the quality movement right from 1983, but formally set up a quality division only in 1988.

The new foundation plans to launch a national quality campaign and set up accreditation boards for product certification (on the lines of ISO 9000 and other foreign certificates) and boards for quality systems, among other things.



SAWHNEY: *New foundation*

CII has been spending Rs 1.5 crore a year for the past four years on upgrading quality in the corporate world, but the budget is poised to go up even further. "We're doubling our staff," says a CII source.

At the moment, CII is servicing 150 companies, with another 50 on its waiting list. The apex industry association sends hired consultants and other experts to companies that wish to upgrade production quality.

Indeed, commerce minister P. Chidambaram chose to kick off the government's quality drive last fortnight at CII headquarters in the capital. Rival apex organisations such as the Federation of Indian Chambers of Commerce and Industry and the Associated Chambers of Commerce, in the meantime, are gearing up on their own quality drives, but trail behind CII. Did someone say that quality tells?

FRESH BOUNCE

Balls. That's what excitement is running high about within Dunlop House — and the reference is to a product and not to an expletive.

Encouraged by the success of the Dunlop Sports product line led by world-class tennis racquets, the next phase will witness the introduction of two import-substitution products: squash balls and golf balls, both of which are hitech products. Numerous sportslovers in India will be definitely thankful to Dunlop if these two items — which are prohibitively expensive today for obvious reasons — are made freely available at reasonable prices.

MAKING HISTORY

No, Tata Sons director R.M. Lala, who penned two books on the Tatas, isn't behind this one. But the Tatas are, in a manner of speaking, making history. Tata Sons has set up a Tata central archives as an in-house division to collect all sorts of Tata memorabilia, including information on concerns such as Air India which once sported the Tata label. In line with all this, an archives library is to be established at Pune.

The central archives division apart, each Tata company will have its own archives division to dig out old letters and manuscripts to recreate the Tata past.

That should provide further grist to the Lala mill.

SIEMENS' PLANS

Close on the heels of the recent successive visits to India by Siemens' top brass, this German transnational seems to have definitely made up its mind to strengthen its commitment in this country.

The news of a fresh investment in a greenfield telecom equipment factory near Calcutta is already old hat. What is new — and interesting — is that Siemens is also making a second commitment to Calcutta. Its joint venture company Webel Telematiks, which manufactures electronic teleprinters, is now slated to go in for a second product line. Siemens will be lending its specialist knowhow in rugged computers to Webel Telematiks, which will make and market this import-substitution product in the near future.

Naturally, these two decisions from Siemens will give a tremendous boost to the fortunes of the Saltlec complex on the outskirts of Calcutta.

A MATTER OF SIZE

Is Tribeni Tissues a large mill or a small one? It seems as if it's both.

This speciality paper plant with an installed capacity of 13,500 tonnes per annum (tpa) produced over 19,000 tonnes of paper last year and is being redone to yield 33,000 tpa within a couple of years.



AGRAWAL: *Awards galore*

Last month, the National Productivity Council classified Tribeni as a large mill, clubbed it along with Ballarpur, Straw Products and others, and gave it the first prize for highest productivity in the paper industry.

According to reliable sources, industry body Indian Paper Makers Association (IPMA) is also awarding a best-performance laurel to Tribeni Tissues but — curiously enough — is doing so for the 'small mills' category. So a fortunate R.P. Agrawal basks in the enjoyment of the best of both worlds.

PLAYING HOST

With tourism looking up a shade, it is no surprise that GTC Industries boss Sanjay Dalmia is sallying into the hotel business. In the next five years, Dalmia Resorts International plans to dot the Indian tourist landscape with an array of up-and medium-market hotels.

That's not all. The Dalmia outfit also has ambitious plans of tying up with Sita World Travels in Delhi to buy aircraft and run an air charter service. Sita officials, however, insist that nothing's cooking, but Dalmia sources say the opposite.

DALMIA: *Megaplans*



The hotel venture is certainly ambitious. Major metropolitan cities will see 5-star and 4-star hotels. Also on the cards are beach resorts, hotels in the hills and even hotels catering to pilgrims in all the holy towns.

"We have offers from major international chains and we are negotiating," says a company spokesman. The project is obviously huge in money terms, but Dalmia's men are mum on costs and on the names of possible foreign partners. But they do say that it will take at least six to eight months before construction begins. Dalmia Resorts will work on all the hotels simultaneously, starting with about six projects.

In Hyderabad, the company is working on taking over the management of an undisclosed leading hotel. The deal is expected to come through in early May.

Evidently, Dalmia is anxious to be more than just a tobacco, telecom, media and dairy products magnate.

TURNING NRI

The low-profile Khaitans of Macneill & Magor (M&M), billed as the world's largest privately-owned tea group, are a peripatetic lot and their toings and froings from London (where the Magors live) are hardly new. And so it is that nobody has noticed that chairman B.M. Khaitan's younger son Aditya has turned non-resident.

Aditya Khaitan, a champion golfer, will divide his time between London and Calcutta on a 60:40 basis. In operational terms, he will oversee the burgeoning business of M&M's new export-oriented subsidiary Macneill International and report to elder brother Deepak, stationed in Calcutta and designated as M&M's managing director.

NEW INSTITUTE

If the Oberois have had a headstart in the hotel management institute front, the Taj group of hotels is finally determined to catch up. Indian Hotels (which runs the Taj chain of hotels) is planning to set up a hotel management institute at Pune. What's more, Indian Hotels is going one better than the Oberois — all and sundry can apply to the institute (the Oberoi institute is open only to those who join the group's hotels).

The Taj institute will offer a three-year diploma course in hotel management and will be sited adjacent to a group hotel.

GOENKA'S PROBLEMS

Nobody's heard much of Rama Goenka's proposed Madras-based megaproject RPG Petrochem lately. And for good reason, too. The project seems to have run into squally weather, and this has nothing to do with the protracted ongoing negotiations with overseas parties for technology and funding participation.

In an inscrutable move, somewhat typical of the Jayalalitha administration's style of governance in Tamil Nadu, the land allotment made by the state government to RPG Petrochem has been withdrawn. Naturally this puts paid to any realistic hopes of an early fructification of this ambitious export-oriented venture.



GOENKA: *Land grabbed*

One alternative lies in relocating the plant, but this is easier said than done because the site must fulfil several operational parameters. Of course, knowing RPG's penchant for lateral thinking, the possibility exists of a new venue being chosen in a foreign country.

The new measures should take industry...

DOWN THE FREEWAY

It was an unusually slim document; 85 pages of easily digestible English. But its brevity reflected the government's approach: fewer controls and freedom from babudom.

Unveiling the new, five-year export-import policy last fortnight, minister of state for commerce P. Chidambaram said: "The direction of the new export and import policy is clear — fewer restrictions, greater freedom to trade and less administrative controls."

THE EXIM PACKAGE

- Imports and exports freed from controls except for a few items on a negative list
- No restrictions on importing capital goods, raw materials, intermediates, components, spares
- Second hand capital goods can be imported without a licence for 12 industries
- A more liberal Export Promotion Capital Goods Scheme, with import duties of 25% or 15%, and export obligations
- Imports of raw materials, components, spares, intermediates allowed free of duty
- Advance licences can be based on value or quality, instead of just quality
- New criteria for recognising star trading houses, trading houses and export houses. Also, they are entitled to special import
- 100% foreign equity for EOUs and EPZ units allowed
- Membership to export promotion councils, in effect, has been made compulsory
- Nationwide quality awareness drive launched
- ISO 9000 or BIS 14000 companies eligible for special licences to import items on negative list
- Steel, non-ferrous metals, newsprint decanalised

The new policy (see chart) permits the free import and export of virtually all products, with some exceptions. Imports of so-called capital goods and raw materials have been made more liberal; machinery can, in fact, now be imported by paying customs duty of either 25% or 15%, though this is linked with a corresponding export obligation. The public sector's monopoly on importing a host of products has been broken (see box).

That's not all. New qualifying criteria have been specified for the country's 1,236 export houses, 148 trading houses and nine star trading houses. In the case of export houses, for instance, the cut-off point is average net foreign exchange earnings of Rs 6 crore during the previous three years, as against the previous criterion of annual sales of Rs 4 crore. The new yardsticks aren't as tough as they look, because exporters now earn more rupees than they did a year ago, thanks to the rupee's depreciation.

Membership to export promotion councils (EPCs) has, in effect, been made compulsory for all exporters. Last but not least, companies that acquire international product quality certificates will be eligible for special import licences.

Chief controller of imports and exports D.R. Mehta explains the policy's moorings. "Earlier, nothing was importable unless a licence was obtained or unless an exemption was given. This is a total reversal. The philosophy here is, let business be conducted as business. The government should be involved only at the policy level, in areas of public importance."

Multi-pronged strategy. While the policy goes further down the liberalisation road, it's part of a multi-pronged government strategy to push exports. Notes former Federation of Indian Export Organisations president Ramu S. Deora: "The best part of the exim policy is that it will force domestic manufacturers to look towards the more lucrative export market."

The other prong of the strategy is a policy that's in the works to eliminate bottlenecks in some 30 industries. Picking up the threads from earlier governments, the commerce ministry has turned the arc lights on what it calls "extreme focus" items: garments and manmade textiles, software packages, marine and aquaculture products, footwear, a range of farm products such as rice, processed foods, cut flowers, molasses and alcohol, engineering products, cut and polished granite, to name a few.

Strikingly, the government has roped in the private sector to identify problems in specific industries and to suggest solutions. According to Chidambaram, five groups have submitted reports; by mid-May, a consolidated report is expected to be ready.

If the government is embarking on a major export drive, it's because of the faltering export effort. In recent years, export growth rates have actually dropped in dollar terms (see chart). Exports last year didn't exactly soar either, thanks to the turmoil in the East Bloc.

The government, however, puts on a brave face. Says Chidambaram: "In (April-January) 1991-92, we had a 6% growth in dollar terms for general currency areas in a difficult year. This means that we can shed export pessimism." But even the commerce minister concedes that exports will climb only if industry and agriculture fare well and provide the exportable surpluses this year. Nonetheless, he hopes that the new policy will help push exports to 20% of gross domestic product (GDP), from the current 13% or 14% of GDP. But if exports don't pick up enough, the danger of the government's efforts to stabilise the economy going haywire looms large.

While the government keeps its fingers crossed, industry is hurrahing the new policy. Says a Confederation of Indian Industry spokesman: "The policy makes imports much easier now that canalisation has gone. The biggest thing is that you've given the manufacturer complete freedom. You couldn't quote for export orders because you weren't sure whether canalised raw materials would be available or not." Adds Federation of Indian Chambers of Commerce & Industry (Ficci) secretary-general D.H. Pai Panandikar: "The government is replacing administrative decisions with market decisions, which is a much better system."

MEHTA: *Protection is higher today*



"EXPORTS WILL GO UP"

Two days after unveiling the export-import policy and a day before flying to the US, minister of state for commerce P. Chidambaram was furiously granting media interviews and being fitted for a new steel grey suit by his tailor, even as increasingly desperate telephone calls from a party floor manager urged him to hot foot it to parliament. Amidst all this, he granted a 10-minute interview to BusinessWorld. *Excerpts:*

■ Is the latest exim policy one leg of an overall export strategy that the government is working on? Is the government embarking on a new export drive? If so, is the identification of extreme focus products another leg of the new strategy?

Yes, it is. The next step is the identification of extreme focus products. We've received five reports. All of them will be in soon, I hope. Then we'll put them together. That document will get approved at the government level in mid-May.

■ What will this document contain?

There will be recommendations on customs, recommendations on ports and so on.

■ Will exports go up?

Of course they will go up. But export growth will be modest if external factors are not controlled. It all depends on whether there are agricultural and industrial surpluses, on factors external to exports.

■ Imports are bound to go up in a freer trade regime. If exports don't climb, the trade and the balance of payments deficit will widen. What happens a year down the road if these events occur? Will liberalisation end?

Imports will not go up. Lerms (Liberalised Exchange Rate Management System) will decide the availability of foreign exchange. So there's a balancing factor. Liberalisation will not end.

■ Is the government working on a green channel for exporters?

I don't think a green channel or a red channel is required. The



electronics people have asked for a fast track. According to me, everything should be on a fast track.

■ State Trading Corp (STC) and Minerals & Metals Trading Corp (MMTC) will be hit. What happens to them? Can they survive? You'd said at the press conference that STC had submitted a corporate plan, and that you'd suggested some modifications. What does the plan involve?

STC and MMTC will not be affected. There's no profits in canalised business. MMTC is ahead of target this year, PEC (Projects & Equipment Corp) is on target. Only STC is behind target, and that's because of the decanalisation of newsprint and (fall in imports of) edible oils.

■ What did STC's corporate plan suggest?

Corporate objectives were set out, profit targets were mentioned, ratios have been set out, and we're measuring people on the basis of these ratios.

■ Newsprint: what happens to small newspapers? Will STC still canalise newsprint for them? Also, I understand that the Indian Newspaper Society is concerned that glazed newsprint imports will require an RNI certificate — they say that quotas have been virtually imposed, that they could freely import glazed newsprint before through exim scrips. Please comment.

It's all very clearly mentioned in the policy statement. Newspapers can import either directly or through a canalising agency.

■ Including STC?

Yes.

■ The quality awareness drive: what does this involve?

We've launched a quality awareness drive. I've appointed a steering group on this. We hope to reach every plant, every factory with a kit on quality. I've asked the Confederation of Indian Industry (CII) to lead this and have asked Associated Chambers of Commerce (Assocham) and Federation of Indian Chambers of Commerce & Industry (Ficci) also. I want a 12-month calendar of events to focus on quality, on the total quality movement. We want to give a big push to it.

■ The exim policy offers incentives to companies to acquire ISO 9000 and other certification. There is a danger of irregularities, of companies acquiring these certifications through any means. Please comment.

There's a very rigorous selection procedure to get ISO 9000. It's no joke to get certification.

■ Is there anything else you'd like to say about the exim policy?

No. I think the questions are adequate, the answers are adequate.

LOSING MONOPOLY

At the multi-storeyed sandstone building in New Delhi's business district, State Trading Corp (STC) chairman S.C. Vaish is down to earth. "We've lost our monopoly. It will never come back. STC will have to change. If we can't, we'll go down under," says he.

Some miles away at his south Delhi residence, that sentiment is echoed by S.K. Aggarwal, who retired last fortnight as chairman of the Minerals & Metals Trading Corp (MMTC). "MMTC will require to reorient its policies and attitudes."

Certainly, decanalisation is bad news for the government's two trading corporations. At one stroke, STC and MMTC together lost business to the tune of Rs 4,000 crore, with MMTC alone losing almost Rs 3,400 crore of this. The two companies have lost their monopoly of importing newsprint, phosphoric acid, ammonia, steel, sulphur, rock phosphate and non-ferrous metals.

What's more, MMTC at least has lost its leverage in countertrade and business worth roughly Rs 400 crore a year in such deals. And iron ore exports, which accounted for almost half of MMTC's Rs 150-crore profit last year, are poised to nose-dive.

But, while MMTC met its sales and other financial targets last year, STC fell behind because edible oil imports were scaled down from three lakh tonnes to one lakh tonnes. STC's turnover last year was in the region of Rs 1,250 crore, as against the Rs 1,700-odd crore target.

With a big chunk of their business gone, what will STC and MMTC do? Says commerce secretary A.V. Ganesan: "They have to learn to do business in a competitive environment and reorient themselves." Otherwise, they'll find themselves before the BIFR (Board for Industrial & Financial Reconstruction)."

Big question. The big question is: can the two corporations survive without government props? Decanalisation had long been coming and the government had asked the trading duo to gear up for it. Accordingly, STC and MMTC proposed some remedial measures: voluntary retirement schemes; hawking the wares of small businesses in overseas markets; and joint ventures with private domestic and foreign corporations to sew up supplies.

A couple of these plans have been implemented. In the past year, about 600 of STC's 2,500 staffers accepted a golden handshake; so did about 200 at MMTC. STC has tied up with medium-sized leather and bag firms to export on their behalf. Two years ago, STC also began exporting tyres to Australia on behalf of Vikrant Tyres, and has done spadework for hawking two-wheelers abroad. Finally, it has started operating in the mustard oil market. The oil will be sold in the domestic market and the extraction abroad.

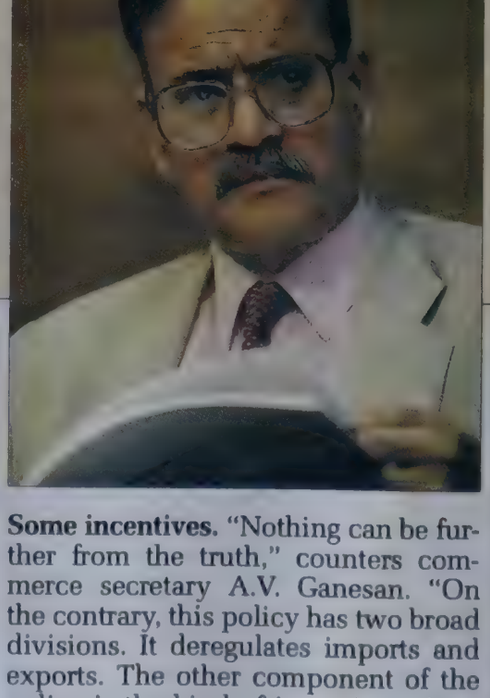
But, several other proposals are on ice. Not one of MMTC's joint venture proposals has taken off. Confirms Aggarwal: "There's been no progress on this. The board just didn't clear any of the joint ventures."

The former MMTC head believes that the government's trading wings will find it tough to survive. "They cannot work as private trading houses. How can you compete with private trading companies when the rules of the game are different? They can take instant decisions; but we are subject to vigilance enquiries, government audit, and so on."

STC's Vaish acknowledges the handicaps but underscores the positive factors: an ability to handle commodities in bulk, and credibility in world markets. "We're not a Chandni Chowk firm which will run away," he adds.

That it isn't, but both STC and MMTC face fierce competition and the months ahead will show whether they'll flourish or fail.

GANESAN: *STC and MMTC have to cope*



Nevertheless, some exporters are less than pleased. Says Toshniwal Exports chairman S.S. Toshniwal: "The exim policy is an eyewash. The value addition is ridiculously high. Hence, instead of making exports competitive, it's become the reverse. To achieve the value addition, the Indian exporter will have to charge more." Others complain that the policy helps imports more than it aids exports. In a statement to the press, Delhi Exporters Association president S.P. Aggarwal said: "We could not find a single measure through which our exports will increase."

Some incentives. "Nothing can be further from the truth," counters commerce secretary A.V. Ganesan. "On the contrary, this policy has two broad divisions. It deregulates imports and exports. The other component of the policy is the kind of incentives given for exports."

Still, executives at trading houses cavil that the official approach doesn't quite encourage export and trading houses to think in global terms. Says a functionary of star export house Tata Exports: "If Japanese and Korean companies are today able to think globally, a lot of the credit goes to the respective governments. What's lacking in the policy is the government's stand on star export houses investing abroad or forming joint ventures with foreign partners."

Several industry representatives also fear an import surge, following the lowering of customs duties in the last budget and the softer duties on capital goods. Asks an industry as-

GOOD NEWS

For years, the print media accused the government of trying to throttle the press by controlling newsprint imports. Last fortnight, however, the government changed the rules of the game — and ended the State Trading Corp's (STC's) decades-long monopoly of newsprint imports. In effect, newspapers were permitted to buy newsprint directly from overseas suppliers.

Responding to the policy changes, the Indian Newspaper Society (INS), which represents the interests of major publishers, quickly went into a huddle. On the INS agenda: the question of newspapers banding together to import newsprint. Other newspaper majors, meanwhile, began talks on forming consortia independent of the INS effort. Confirms Bennett, Coleman executive director Ramesh Chandra Jain: "We are talking to other newspapers like *The Tribune* so that we can negotiate prices jointly."

The new policy "decanalises" newsprint imports. It also lifts the ceiling on buying imported standard newsprint. Till now, the government fixed the ceiling, with the proviso that newspapers would have to buy domestic and imported newsprint in a 65:35 ratio. The ratio broadly remains for standard newsprint, with some modifications: newspapers can import 1 tonne of newsprint for every 2 tonnes bought from domestic mills. The old quota system, however, remains for imported glazed newsprint.

More pages? For newspapers, all this means that they will be able to buy any amount of newsprint, depending on the depth of their coffers. So newspapers will be able to provide readers with more pages. Says Baljit Kapoor, general manager of the Reliance Industries-owned Observer group of newspapers: "The policy has unfettered us from the clutches of STC. We can now freely increase the number of pages, choose the quality of paper and even negotiate prices."

Most newspaper chains may also be able to save hefty sums of cash by importing newsprint directly. This is because of the current newsprint glut overseas and because STC used to charge a hefty fee for its services. Indeed, many foreign companies are already offering standard newsprint for Rs 13,500 per tonne, 18.5% less than STC's price of Rs 16,000.

Estimates vary, but some industry men privately reckon that the newspaper industry will save over Rs 70 crore on importing standard newsprint at the current rupee-dollar exchange rates. But negotiating prices directly with foreign suppliers might not be of advantage to small newspapers. Says Pushpa Pandeya, president of the Delhi-based Indian Federation of Small & Medium Newspapers: "We might find it difficult to negotiate terms as our demands are very small." Small dailies or weeklies can, in fact, approach STC to import on their behalf. But Pandeya says that STC has made clear its intention to jack up service charges from 1% to 3%. Grumbles Pandeya: "Our costs will go up."

Last fortnight, the only source of unhappiness in the print media was the continuation of the quota system for glazed newsprint (which Indian paper mills don't manufacture). In a statement to the press, INS president P.R. Krishnamoorthy accused the government of discriminating "against periodicals and news magazines which use this paper." Minister of state for commerce P. Chidambaram, however, dismissed this. And owners of periodicals too just might save on import costs. Their savings, according to one analyst, could be anywhere from Rs 17 crore upwards.

sociation spokesman: "Imports will go up, so the trade deficit and the balance of payments will worsen. What happens one year from now? Will the government down shutters?" Ficci's Pai Panandikar worries about dumping by foreign manufacturers.

But Chidambaran says that the liberal trade regime is here to stay. The commerce minister also points out that imports are fettered: private concerns can access only 60% of the foreign exchange kitty in the dual exchange rate system now in place.

Even so, the liberal capital goods import rules and duties could squeeze manufacturers. The commerce ministry perhaps concedes this when it says that the number of manufacturers who'll be affected is limited. It also argues that domestic industry is in any case protected from imports by the rupee's depreciation over the past few months. "In effect, protection today is higher," says the commerce ministry's Mehta. But the possibility of dumping cannot be quite dismissed, and Ganesan says that the government will have to establish a regulatory mechanism for this.

Yet, the question that will continue to haunt the government in the months ahead is: will exports climb dramatically enough? The commerce secretary expects exports to surge to about $20 billion, up 10% over last year's level. That's optimistic, especially since trade with the East Bloc in rupees is fading out. Still the ball remains in the government's court, what with the extreme focus policy round the corner. Over, then, to Chidambaram.

□ Palakunnathu G. Mathai

(With reports from Jiten Mehta in Bombay.)

Trade growth rates in $: plunging

* Provisional

Year	Exports	Imports
1987-88	+24.1	+9.1
1988-89	+15.8	+13.6
1989-90*	+19.0	+9.1
1990-91	+9.1	+13.2
1991-92 (Apr-Jan)	-3.1	-21.3

Dealers are looking for alternatives.

LEFT IN THE LURCH

Pawan Khaitan is gloomy. The director of Calcutta-based Exim Scrip Trading Corp of India talks of laying off 12 staff members, and complains of heavy overheads.

So does lawyer Harshad Kundalia. "I have no idea how to maintain my office. I just can't lay off my staff, and I am trying to find alternative jobs for them. I may have to down shutters in the next couple of months and practise at the high court."

And G.S. Bhaiya, yet another Calcutta trader, says he'll have to retrench the 10 staff members he recruited last year.

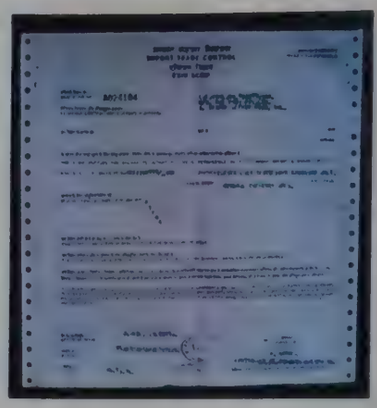
Khaitan, Kundalia and Bhaiya are but two members of a small tribe which leaped into a new business just nine months ago: exim scrips.

After the government introduced exim scrips last July, an estimated 5,000 dealers nationwide turned their attention to the new scrip. Most already dealt in replenishment or "Rep" licences, and exim scrips were an extension of business for them. But nearly a dozen new companies like Khaitan's Exim Scrip Trading Corp were floated to deal in exim scrips. And dealers launched Exim Scrip Exchange Associations in the four metropolitan cities.

Yet, early last month, dealers were issuing full page advertisements in newspapers, appealing for help. Sample a headline: "Exim scrip policy. Born 4 July 1991. Buried: 29 February 1992. May the nation rest in peace."

If that was dramatic, it was because Manmohan Singh's latest budget put paid to exim scrips, replacing them with a dual foreign exchange rate market. The government also announced that it would buy any exim scrips from dealers at a 20% premium. These were supposed to be handed to the State Bank of India (SBI).

Market size. Predictably, dealers are sore. Even though nobody really knows the exact size of the exim scrip market — estimates vary between Rs 3,000 and Rs 10,000 crore — the dealers' chagrin was understandable. At its high point, a 30% premium meant anything up to Rs 3,600 crore a year, according to some exim scrip men. "Almost all the big importers were our customers; also exporters," recalls a dealer in Calcutta.



Worse, the government is distinctly unsympathetic. "We are hurt by the finance minister's statement that only exim scrip traders are affected (by abolishing the scrip)," says Kundalia, president of the Calcutta Exim Scrip Exchange Association (CESEA). Adds Rasikbhai Shah, head of the Calcutta-based Rasiklal Ujamsi Shah & Co: "The way things have gone, we do not have any trust in the finance minister."

Obviously, what hurts dealers most is the dent on their pockets. With a dealer's profit margin being anything between 0.1 and 1%, depending on market fluctuations, the scrapping of exim scrips has meant the loss of tidy sums for them.

Dealers also grumble about the delay in payments by SBI. "The exim scrips were given to SBI almost 20 days back," says an official of the Delhi Exim Scrip Exchange Association, who asked not be identified. "Till now there have been no payments." Points out Gopal Khaitan, an exim scrip dealer, exporter and a partner in the Calcutta-based Ganapati International: "Before we decide on another line of business, we have to recover our money from SBI."

Not that everyone's handing in their scrips to SBI though. Ramu S. Deora, former president of the Federation of Indian Export Organisation (FIEO) is among those who believes that it makes sense to hold on to exim scrips a little longer because of a growing difference between the market rate of the dollar and RBI's quotations. "Those who possess exim scrips will benefit in the long run," he says. Others view it differently, arguing that SBI's 20% premium is, in effect, a good bargain. Says Pramod Sheth, an executive in the exports division of Bombay-based Weizmann Industries: "It's a dangerous gamble to link the premium with full convertibility."

Desperate bid. Deciding what to do with the exim scrips in hand is, however, just a minor decision for dealers. In a desperate bid to stay in business, exim scrip associations have been attempting to sell the concept of a new instrument — foreign exchange entitlement certificates for the 60% freely convertible component of exporters' earnings. Predictably, the government has turned a deaf ear to the associations' pleas.

That leaves dealers scrambling to find new avenues to keep the cash flowing in. Possible alternatives to the exim scrip trade include chancing the stockmarkets, venturing into exports and imports and even acting as intermediaries in arranging finance for companies. Or, perhaps, even become foreign exchange dealers.

Not that there are many tears being shed for the exit of the exim scrip dealer. Asks D.H. Pai Panandiker, secretary-general of the Federation of Indian Chambers of Commerce and Industry (Ficci): "The point is that any system creates a vested interest. Does that mean we shouldn't change the system?"

As exim scrip dealers are rapidly discovering, there's really little option but to change.

□ Ashoke Laha
& Sujatha Shenoy

EXIM SCRIP POLICY

Born : 4th July, 1991 • Buried : 29th February, 1992

May the nation rest in peace.

MONEY MATTERS?

India has begun to take steps to free industry from regulation. But freedom must not lead to licence; there is a pernicious licence which is likely to tempt managers and entrepreneurs — greed.

Complaints about the over-regulated regime of licensing, controls, excessive reporting, a large public sector in industry, complex rules governing international trade and other market interference by the government arose mainly because regulators were often perceived to be using their enormous power to further their own interests. Corruption at worst and megalomania at best are said to have resulted in arbitrary decision-making and an uneven playing field, depending on who and what you knew, and sometimes what you were willing to pay. Ultimately, the environment of regulation was seen as damaging to the country's interests. Since it was not possible to reorient the regulators to be neutral, objective and honest, regulations had to go. Thus we have an unusual national consensus in favour of reducing the government's role in industry, cutting discretionary regulations and controls and, ultimately, the bureaucracy.

This has led people to conclude that there is something virtuous about the private sector manager and entrepreneur as against the bureaucrat and politician and that the market is more fair and honest than the government.

This is patently not true. Greed for money and power is a common human trait and does not disappear just because the person is in the private sector or in government. Markets become inefficient and unfair when the mechanisms that operate in it are poorly organised, when information is not freely available to all buyers and sellers and when opportunities are grossly unequal. The managers and entrepreneurs try to build niches for their products in the market to get a special advantage in terms of consumer loyalty, premium price or keeping out competitors.

But this must be within limits. If markets are viewed as exploitative and unfair to enough people, the government will have to come back with strict regulations, which will become discretionary over time, resulting in the old situation of an over-regulated environment.

This is something that industry has to guard against. It must develop self-policing mechanisms for the purpose. The best answer is, of course, competition and easy access to information and opportunity to all the players in a market. Freedom must not result in the kind of situation that has developed in the US where huge fortunes are paid as remuneration to CEOs of even poorly-performing companies, top managements tailor golden "safety nets" for themselves before entering into takeovers, mergers and amalgamations and whizkids from business schools earn extraordinary salaries in investment banking companies. It is increasingly argued that these practices have led to the decline of American industry and the loss of public confidence in it. The recipients of these generous payments of course argue that they have to be adequately motivated and compensated.

Greed is a human trait that does not disappear just because the person is in the private sector or in government

Perhaps, similar arguments can be advanced by McKinsey & Co — the largest management consultancy firm in the world — or Kellogg, the breakfast foods giant. They are reported to have considerably upped the starting salaries for fresh MBAs from IIM-A and IIM-C. Present starting salaries for fresh entrants (1990-91) are already very high at between Rs 6,250 and Rs 8,333 a month, with rapid increases in the first few years. McKinsey is reported to be offering $15,000 per annum, equivalent to about Rs 3.90 lakh per annum or Rs 32,500 a month. As a comparison, a recent National Council for Applied Economic Research (NCAER) survey estimates that in 1990-91 the number of households earning over Rs 50,000 per annum was 5.08% of urban households, or a little over two million households, and 0.54% or around half-a-million of rural households. The contrast is stark.

S.L. RAO



These high starting salaries will over time lead to competitive bidding for these and other management graduates, followed by bidding for other graduates, by all of industry. In order to keep the balance, this will eventually lead to sharp increases at all levels in the company. The already sharp differentials between the top and bottom in many companies, and between those paid by business and in other occupations, will widen further. At a time when the adverse effects of economic reform on industries and on workers' jobs are about to show, this would be an unfortunate development. It could lead to renewed suspicion of industry and its managers and entrepreneurs, and perhaps to a revival of regulatory moves on managerial compensation, leading to the resumption of demands for other regulations on industry in the name of "fairness", "equity" and "social justice."

It is up to the industry to ensure that it does not thus rock the still unsteady boat of economic reform and deregulation. These changes in economic policies are necessary for the growth of industry and of the Indian economy. Individual companies should not sink the boat of reform in their attempt to get the best MBAs.

• *The author is director general of the National Council for Applied Economic Research*

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■ Certain sweeping changes in the laws governing **Indian joint ventures** abroad are on the cards, says *The Economic Times*. These changes are being made with a view to enable Indian companies abroad compete in the international market. The proposed changes include: automatic approval for equity participation of up to US $1 million in certain cases; establishment of an offshore fund for financing overseas ventures and acquisition of foreign companies; and removal of certain controls in the Foreign Exchange Regulation Act (Fera).

■ The first year of the **eighth plan** (1992-97) commenced on 1 April 1992. The plan size is pegged at Rs 7,92,000 crore and envisages an annual growth rate of 5.6%, said deputy chairman of the planning commission Pranab Mukherjee. The total public sector outlay is 4,00,000 crore.



MUKHERJEE: *Projecting growth rates*

■ The agriculture ministry officials have expressed concern over the dwindling stock of **wheat** held by the Food Corp of India (FCI). According to official sources, poor procurement during the last *rabi* season and the public distribution system's are to blame for the shortage.

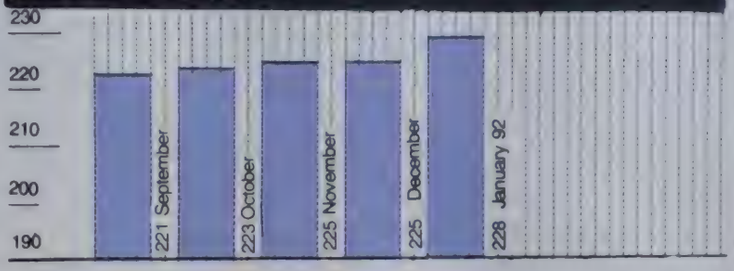
Meanwhile, the Cabinet Committee on Prices (CCP) is reported to have rejected all the offers for the purchase of 1 million tonnes (mt) of wheat through a global tender on grounds of being too expensive. The CCP has called for floating of fresh tenders.

■ The planning commission has projected a 58% increase in India's import of **petroleum products** by the end of the eighth plan period (1997). In volume terms, the increase projected is from the 10.6 mt imported in 1991-92 to 16.91 mt in 1996-97. The import of crude oil is, however, projected to fall by 1996-97.

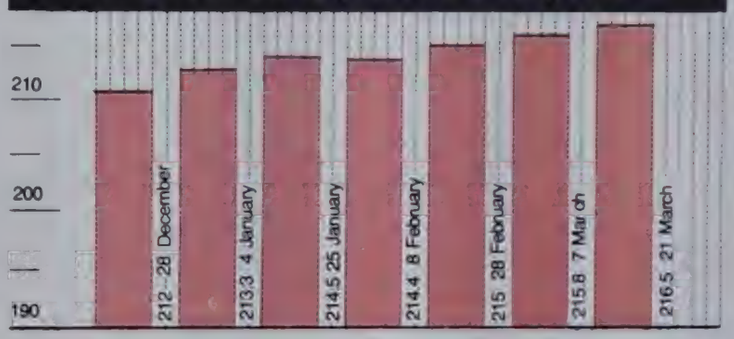
Foreign Exchange Rates (Spot) 1992

	6 April (Rs)
One P. Sterling	45.01
One US Dollar (RBI's buying rate)	25.83
One US Dollar (operating middle rate)	30.95
One D. Mark	15.87
One hundred J. Yen	19.30
One Saudi Riyal	8.34
One Kuwaiti Dinar	105.16

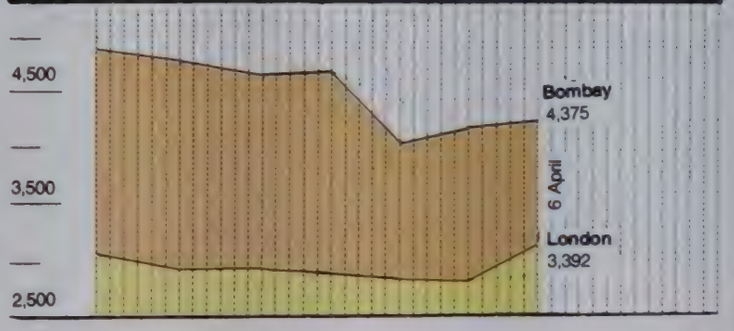
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



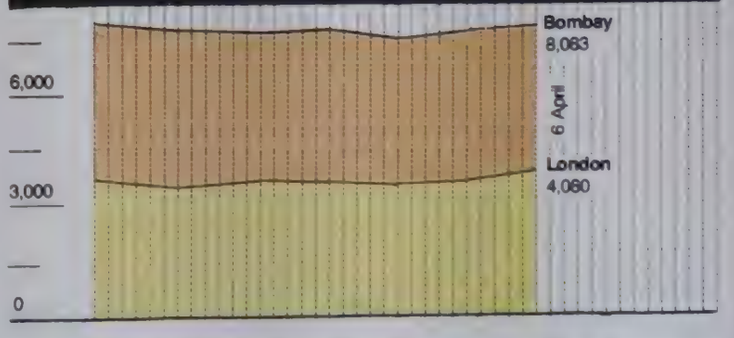
Wholesale Price Index (1981-82 = 100) 1992



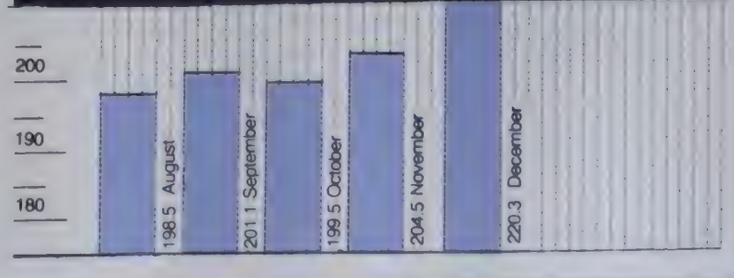
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81= 100)





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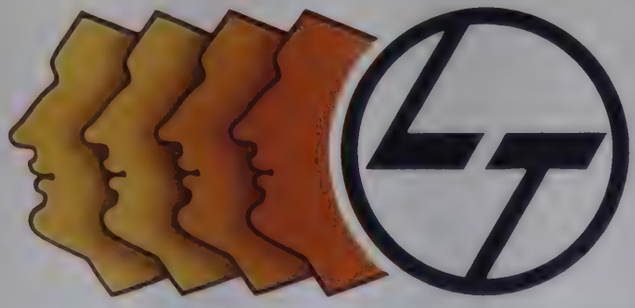
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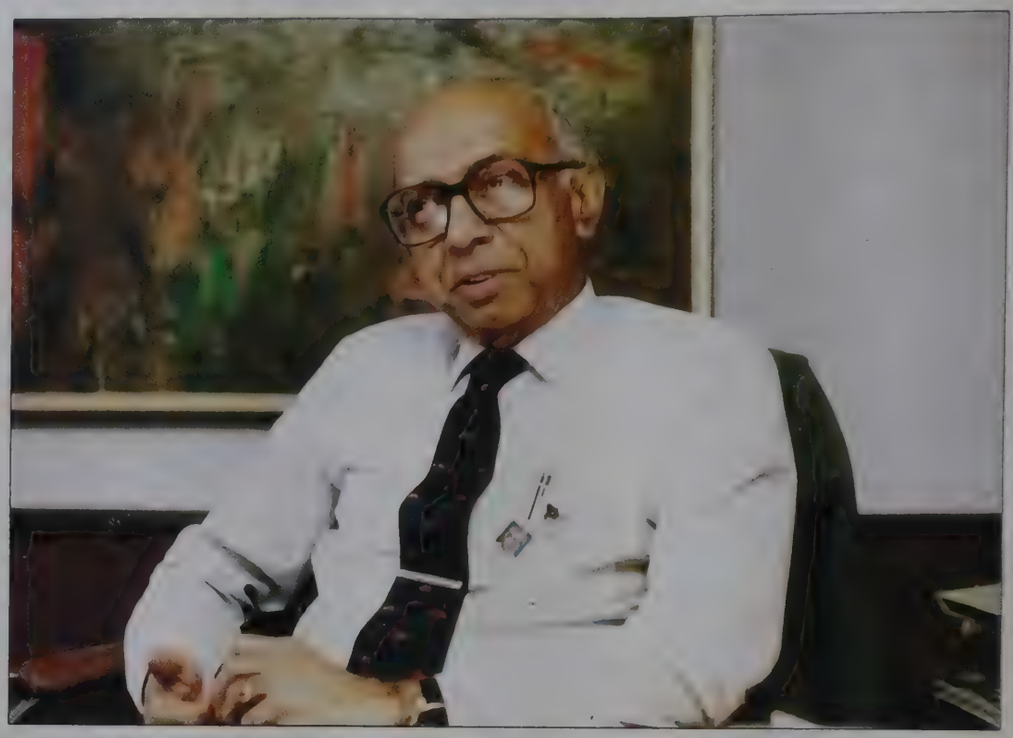


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"SEBI WILL BE FRIENDLY"

The stockmarkets have gone through the roof. And, as during the previous boom, the worms have begun creeping out of the woodwork. Last time, hundreds of lay investors were cheated out of their savings. Now, however, there is some hope for the tribe: the Securities & Exchange Board of India (Sebi) has come into existence and it has belatedly been given some teeth. Spearheading the organisation is the 62-year-old soft-spoken G.V. Ramakrishna, who has had an illustrious career in different government departments for almost 40 years. Says Ramakrishna: "The market has grown by leaps and bounds in the past decade and a lot needs to be done in terms of regulating it." Ramakrishna had a long chat with BusinessWorld's *Roy Pinto on various matters relating to the stockmarket. Excerpts:*



■ With the Sebi bill being passed in parliament recently, what is your plan of action?

In the Sebi bill, we have been entrusted with a wide range of responsibilities in regulating the activities of almost all players in the capital market, with a major exception of, perhaps, the most important player, namely the issuer of capital, that is the promoter. Once the controller of capital issues (CCI) is completely abolished, they will come under our jurisdiction. We have laid out certain guidelines for the issuers to ensure investor protection, details of which have to be finalised.

Under the existing Sebi act, we will be regulating mutual funds, merchant bankers, registrars to issues, share transfer agents, portfolio managers, underwriters, investment advisors, brokers and sub-brokers. We have also been given certain powers to regulate the stock exchanges. Once the statutory rules are approved by the government, we will begin to implement them.

■ When is that expected?

In the course of this month.

■ Do you think Sebi should be the only regulatory body or should it join hands with other regulatory bodies, say the Reserve Bank of India (RBI) in the case of bank mutual funds?

This issue has already been settled in the (Sebi) act. We will have all powers, except in regard to two areas of activity of mutual funds. First, the money market mutual funds will be regulated with reference to RBI guidelines. And second, in case we haul up a mutual fund for wrong doing and it goes for an appeal, then the government will consult the RBI.

■ Then the erring mutual funds are bound to resort to appeals.

Well, the rules are framed that way and, I guess, we have to stick to the rule book.

■ Are you happy with the powers given to Sebi?

The range of activity and responsibility is very wide. However, there are two or three areas which will restrict our functioning. First, we need prior government approval for the regulations we formulate. Second, the provision for appeals will make it a time-consuming exercise. And third, there are built-in provisions for rules to be framed by the government. There is a large government role. All these are unusual features. Maybe the government will review these provisions depending on how we shape up. Overall, we are happy. Sebi will be friendly to all and will be bereft of bureaucracy.

■ The current hot topic among investors and merchant bankers is the free market pricing of capital issues. What are your views?

It will help several existing companies to fund debt-free projects. But there is a high risk for new investors in the primary market.

■ But don't you think it is unfair to allow only an existing company to freely price its equity issue and not a new company?

The difference between a new company and an old one has always been there in any industry. In India, promoters raise money through equity, and the investor has to bear the burden of the risk period of about three years before the plant goes on stream. Abroad, it is not so. There is a value attached to the track record of a company.

■ Agreed. But what if identical projects are kicked off at around the same time by an existing and a new company? The latter won't be able to compete with the former.

Well, the latter companies will have to live with the system.

■ You had said earlier that Sebi has been given powers to regulate the stock exchanges...

Yes. We've been given powers such as asking the exchanges to amend some of its bylaws to ensure disciplinary action against erring brokers. The problem with the stock exchanges is that they do not have the infrastructure to cope with the growth in trading.

■ Do you think the stock exchange listing norms need reviewing?

The listing requirements are adequate as long as they are effectively imposed. The stock exchange authorities' decision to take 1% of the total amount raised from the equity issue from the promoters as a deposit is a step in the right direction. This will bring down the post-issue delays drastically.

■ But don't you feel that companies with public holding of 20% should be allowed listing as has been the case with public sector undertakings (PSUs)?

First and foremost, the exchange is supposed to list only those companies which have made proper disclosure of documents to the investors. What applies to private sector companies should apply to public sector ones too. We hope the PSUs will come out with proper disclosures. Now to answer your question, if the public sector is allowed listing on 20% disinvestment, the private sector should also be given that opportunity. This is in line with our philosophy of a level playing field.

■ If you are talking of a level playing field, why should private sector companies be disallowed corporate membership of stock exchanges?

I have been advocating it for a long time and it is necessary. This discrimination should be stopped. With proper capital adequacy norms, they should be allowed entry. This will bring in competition.

■ A couple of months back you had submitted a draft regulation on takeover norms. Has there been any progress on that front?

These things take time but we framed the norms in such a fashion that takeovers will henceforth be open and transparent. At the same time, we will not prevent a takeover. The norms have a much wider scope than the present clause 40A and 40B of the stock exchange listing agreement.

■ A lot has been said about curbing insider trading. Even abroad, for example in the UK, the success rate in detecting insider trading is only 20%. How far do you think Sebi will succeed?

There are degrees of insider trading and every developed market has laws to control insider trading. But in India, there is no law to take action against such an act. If there is one — and it has to come — at least the blatant types of insider trading can be checked.

■ Since we are on insider trading, don't you think there should be a Chinese wall between banks and their mutual funds, since the latter can misuse the information available from the former.

The Chinese wall is a protective mechanism for curbing insider trading. That's why we have asked the mutual funds to float asset management companies. Besides, the bank and its mutual funds should have independent chairmen, and at least 50% of the board should be constituted of outside directors. Both should be separate entities and managers should not be transferred back and forth. After all this is done, then we'll look into the allegations of insider trading by mutual funds.



The market is akin to a race course wherein the horse may be worth only Rs 1 lakh but carries bets worth Rs 10 crore

■ With the capital markets thrown open to foreign investors, do you think there will be a mad rush to capitalise on the opportunity?

I don't think so. Simply because, they would like to see a few things in place. One is insider trading laws, then capital adequacy norms, more transparency in transactions, action against price rigging and shorter settlement periods.

■ More than a year ago, you had mooted the idea of self-regulatory organisations which would impose discipline from within a particular fraternity.

We did encourage merchant bankers, but I'm sorry to say nothing has happened in the past 15 months. Now, we will have to play its regulatory role.

■ Ever since Sebi was conceived, you have been concentrating on the primary market only. Do you propose to broaden your focus to include the secondary market and other instruments?

We have received a lot of complaints from investors in the secondary market and we are working on it. The support of the department of company affairs will be needed in this matter. We certainly propose to cover other instruments too for the protection of investors.

■ Sebi is a non-profit organisation. If it has to carry out its watchdog duty diligently, it will need a lot of funds. How do you propose to fund your activities?

In the latest (Union) budget, there is a Rs 10 crore provision for us. Besides, we will be levying a fee on all mutual funds, merchant bankers and the broking fraternity. Also, ours will be a lean organisation: the staff strength is about 40 and we will probably double it in due course.

■ One last question. What do you think of the present market behaviour?

There are four-five reasons I see for the present market conditions. One is the general euphoria after the liberalisation measures announced by the government. Two, investors are holding on to their shares since they no longer attract wealth tax. Third is gross inadequacy of scrips compounded by more money coming in and the last, and important at that, is that the stock exchanges are allowing speculative trading without exercising adequate supervision over brokers.

Today, the volume of trading has come down from Rs 200 crore per day to Rs 60-70 crore per day. The number of shares traded is also small. We have entered an era of more and more speculative investors coming in and fewer and fewer value investors. When the next buyer does not turn up, a lot of investors will be holding high-priced shares, that's when the downturn will commence. Those people entering the market should be prepared to accept the risk. Today, the market is operating like a race course. The horse may be worth Rs 1 lakh, but it carries bets worth probably Rs 10 crore.

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There is something of a paradox about the Mappillais who manage the Madras-based Rs 740-crore MRF. They combine high-visibility product campaigns with downright low personal profiles. And the results have been remarkable. In just about three decades, MRF has emerged topdog in the tyre industry with a 21% marketshare. And, while the company makes waves, the group that controls it stays in the shadows.



That's the way it's going to be. The story goes that when group publication and leading Malayalam daily *Malayala Manorama* wanted a photo session with MRF chairman & managing director Kandathil Mammen Mammen Mappillai after he was awarded the Padmashri recently, he declined to pose for the camera.

But the company itself cannot but be in the limelight. It has set a cracking pace and expects to continue doing so. Says Mappillai: "We hope to achieve the Rs 1,000-crore turnover mark in a couple of years and an export turnover of similar size in about five years." The recipe MRF has worked out to achieve these landmarks is simple: consolidate its position further in the tyre industry through more value-added tyres and new products and, of course, push exports in a big way simultaneously.

What is heartening for the company is that all its five tyre units — in Tiruvottiyur, Arakonam, Medak, Kottayam and Goa — are in good kilter. And this is rather surprising at a time when a recession is throttling the international markets and the domestic industry is experiencing the fallout. Says Mappillai: "Overcapacity is the major problem of the industry."

The domestic market is indeed awash with capacity: at last count, there were 12 players in the organised sector and more than 40 in the unorganised. The total capacity is 4.5-5 lakh tyres a month against the estimated demand of about 3.5 lakh.

To avoid a punctured bottomline,

MRF HQ: *Low profile*



MRF has been making retread rubber in units where capacities have been temporarily rendered surplus. Says an executive of the Cochin-based Apollo Tyres: "MRF's greatest strength is its multi-location plants and their flexibility to shift tonnage."

The multi-locational advantage has also helped MRF strike hard bargains with labour (where competitors with all eggs in one basket have failed to cope). Agrees Mappillai: "The multi-location of our plants is one of our major strengths and should be actually seen as a diversification."

That's a matter of terminology. But the diversification which will make all the difference tomorrow is the one into radial tyres. This has already been identified by MRF as the product to concentrate on and the company is going places with its Zigma Space Age Radial. Says vice-chairman & managing director Kandathil Mammen Mammen: "The MRF team is constantly at work developing better, high-performance radial tyres."

But while the market for radial tyres is growing at an estimated 15% per annum, it does not mean that MRF has everything going its way. Every tyre manufacturer in the organised sector has taken the plunge and, of late, all of them have been stepping up their noise level in the marketplace. But company officials are confident. Says executive director (marketing) Philip Eapen: "MRF has already carved out a marketshare upwards of 30% and we see no obstacles in upping it in future, particularly when the market for radial tyres is growing." Adds Mammen: "The growth in the radial segment should certainly help us maintain our marketshare in the tyre industry and grow in volumes and value."

Mappillai feels that the radial foray and the gains that the company has made in this segment will keep MRF ahead of the pack. Besides, it is difficult for new players to come in now because the industry is capital-intensive; a 1 million truck tyre plant would need an investment of Rs 350 crore-plus. Says Mappillai: "Combine this with the geographical diversity of our plants, and our diversification is complete."



MAPPILLAI (R) & MAMMEN MAMMEN: *Consolidation time*

In the marketplace too, MRF has been employing result-oriented strategies. These differ from segment to segment, depending on who rules the roast there. For instance, in truck tyres, MRF has been pushing its wares hard for nearly half-a-decade. This has helped it maintain marketshare at 20%-plus in that segment. Compare this with Apollo Tyres which is strong in truck tyres, but only No 2 to MRF with a marketshare of 15%. Explains a spokesperson of the Automotive Tyre Manufacturers' Association (Atma): "The reason is that Apollo Tyres is pushing hard in the truck tyre segment only now, when the market is not all that good." Today, at the upper end of the tyre market, MRF is turning the heat on Ceat, which has replaced it as the top tyre exporter.

There is one more historical reason behind MRF's pre-eminence in the tyre industry. It was during 1983-84 that the first-ever major price war broke out in truck tyres between Dunlop India and Modi Rubber. And, coincidentally or otherwise, towards the end of that price war, major tyre companies changed hands: Dunlop was acquired by Manu Chhabria, Ceat by Rama Prasad Goenka and Bombay Tyres International, the makers of Firestone, went to the Modis. Explains the Atma spokesperson: "This transfer of control did affect the operations (and marketshare) of these companies and MRF took full advantage of the situation. It raised its noise level and steered ahead of everybody else."

What is the strategy for the morrow? Says Eapen: "Our accent has been on quality and uniform dealer treatment. This has helped us reach the top. There is no need to change that." However, MRF is doing some finetuning. The stress is now a little more on the replacement market and the eventual gameplan is to emerge tops in all segments.

That explains why MRF continues to maintain a presence in every segment: it has just gone into the more value-added, giant-size, off-the-road tyres (better known as OTR tyres) used in earthmovers and is planning a splash in low value-added animal-drawn vehicle tyres (known in the industry as ADV tyres) with its brand Pahalwan. Abroad, MRF is exploring

MRF'S FINANCIAL PROFILE

(Rs crore)

	1991	1990*	1989-90	1987-89**	1987
Sales	741.91	340.65	571.40	742.47	307.70
Other income	4.75	2.64	3.69	2.24	0.88
Profit before taxation	34.50	18.04	18.85	39.67	15.66
Provision for taxation	15.50	8.50	6.50	14.65	5.57
Profit after taxation	19.00	9.54	12.35	25.02	10.09
Share capital	3.86	3.86	3.86	3.86	3.86
Reserves	79.35	63.25	54.95	44.85	23.29
Net worth	83.21	67.11	58.81	48.71	27.15
Fixed assets gross	220.50	176.50	155.39	117.44	70.60

* 6 months ** 18 months

"WE WILL CONSOLIDATE"



He is 70, but still going strong. Kandathil Mammen Mammen Mappillai, chairman & managing director of the Madras-based MRF group of companies, is busy working out plans to further consolidate the group's strengths. Mappillai is a conservative businessman who wants his growth to come primarily from the group's bread-and-butter tyre business. Says he: "We have to consolidate our strengths further in the tyre industry." The publicity-shy Mappillai spoke to BusinessWorld *in his first-ever exclusive press interview. Excerpts:*

■ On what is responsible for MRF's rapid growth.

Nothing but people. The focus on people is very sharp at MRF. It was 45 years ago that we started this company as a small outfit to make toy balloons. Everyone in the company was known to me and that rapport continues even today, though now it is not possible to know everyone personally. The team spirit which inspired us initially to get on with the task and helped us hit many milestones is still alive. The deep sense of belonging, the common purpose and the belief that the company belongs to all of us are the key factors behind MRF's success.

■ On MRF's future plans.

We want to grow within the tyre industry and expect to be a Rs 1,000-crore company in another two years. Exports are now a major thrust area. We want to widen the scope of our export activity and hit the Rs 1,000-crore turnover mark in this area in another five-six years. We want to earn as much forex as we can and we have never been averse to taking up exports of non-tyre goods and services.

■ On whether MRF will opt for equity-financing as a faster growth-route.

We would like to finance our growth principally through internal resources. We have invested about Rs 138 crore during the past two-and-a-half years in new plants and processes, which was entirely generated from within the company. Our equity is a mere Rs 3.86 crore. For the year ended 30 September 1991, gross revenue per rupee of equity works out to a little more than Rs 190. The tyre industry is passing through a recessionary phase and a low capital base with healthy reserves has bailed us out.

■ On diversification plans.

Our plate is already full. MRF has four major divisions and we are keen to strengthen them rather than go in for further diversification now. We have a leather division catering entirely to exports; we are into new-generation toys and boardgames which is handled by MRF's subsidiary Funskool (India), and our conveyor belt division is about to launch its product. MRF's hitech speciality paints division too is doing well. And then we have tied up with Uniroyal Goodrich Tire company, now a wholly-owned subsidiary of the French tyre major Michelin, to manufacture state-of-the-art aircraft tyres. No more diversification, at least for the time being.

■ **On how MRF is coping with the recession.**

MRF's intrinsic strengths are helping the company cope with the recession in the tyre industry. We have an excellent product, our accent is strong on exports and our equity base is low. We are not complacent, however. Upgradation of product quality is an ongoing exercise at MRF and a greater degree of radialisation will certainly see us through the recession.

■ **On the major problems of the tyre industry and how MRF is handling them.**

Overcapacity is the most serious problem of the industry today. Greater thrust on exports is certainly one way out and higher value-addition is another. MRF had plans to export tyres way back in 1968. And it is constantly exploring avenues for value-added niche products.

■ **On MRF's stress on sponsoring sports events and sports-related activities.**

If you really look at our sports-related promotional activities, it will be clear that MRF spends more on motor sports such as car racing and car rallies. We consider the racing track our laboratory where we can test our high-performance tyres, and the amount spent on them as our research and development expenditure.

■ **On whether MRF will go global.**

When we have a strong accent on exports, where is the need to go global? We will consolidate our position further in the domestic and export markets first.

■ **On the charges that MRF is also a party to the cartelisation efforts of tyre manufacturers.**

Such charges have been flying thick and fast for more than 15 years. Had there been a cartel and we a party to it, MRF would have never been No 1 in the tyre industry with a 21% marketshare. Can you say that the cartel decided to jointly promote MRF to the No 1 slot?



THE ARAKONAM FACTORY: *In fine fettle*

markets such as Africa and working out strategies to consolidate its presence in the US, Afghanistan and West Asia.

As part of the consolidation in the domestic market, MRF has been stepping on the gas on the fast race tracks in Madras. So much so, car races and rallies have become a staple element of MRF's product promotion, despite the fact that race tyres add up to a very small fraction of its total tyre production. Says Mappillai: "We produce just about 200-300 of these tyres during the racing season; that is not important. We consider the race tracks as our laboratory and the money spent on these rallies is actually spent on research and development."

In a bid to add extra sheen to the image of a customer-friendly, quality tyre producer, MRF introduced the "tyredrome" concept in Madras in January 1990. The tyredrome is essentially a one-stop tyre and auto diagnostic centre. A motorist can get his vehicle automatically washed, its wheels aligned and balanced and its brakes tested, all for about Rs 450. Says Eapen: "Like the motive behind our sponsoring car races and rallies, the tyredrome helps us learn about the users' attitude towards tyres and what performance he expects from them. Thus, a fresher at MRF is now initially posted at the tyredrome."

NEW COMPANY

MRF is making another big foray in tyres. Soon to be floated is a separate company for making aircraft tyres in financial and technical collaboration with Uniroyal Goodrich Tire which is now a wholly-owned subsidiary of international tyre major Michelin of France. It was initially just a technical collaboration but, thanks to the provision of allowing a majority stake to foreign companies, Michelin has expressed its desire to hold 51% in the new outfit. The modalities are currently under way to float the company.

Tyres are, of course, MRF's bread and butter. But that does not mean that the company has nothing more to show. MRF has diversified into high-technology paint systems, toys, conveyor belts and leather exports.

TYRE COMPANIES: A COMPARISON

(Rs crore)

Company	Year ended	Net sales*	Gross profit	Profit after tax
MRF	Sept 91	574.70	55.70	19.00
Dunlop	Mar 91	474.19	26.13	5.34
Ceat	June 91	453.24	37.89	22.66
Modi Rubber	Mar 91	389.23	27.40	7.10
J.K. Industries	June 90	250.29	31.35	16.63
Apollo Tyres	Mar 91**	210.52	30.18	20.36

* net of excise duty ** 17 months

The speciality paints division launched MRF Vapocure during 1991. Vapocure is a paint system that cools rapidly at room temperature. Says Eapen: "Its polyurethane finish is superior to anything seen before and it is a versatile paint medium."

MRF is busy promoting the various applications of Vapocure: painting plastics, wood and glass containers, wall surfaces, toys and electronic goods. The sole hassle here is that the business has to depend on franchisees. Says Eapen: "Now we have a little more than 40 franchisees and efforts are on to increase their number."

The leather division, meanwhile, is working out plans to help MRF achieve the Rs 1,000-crore export turnover target. The leather factory at Ranipet near Madras has just been upgraded. Says Mammen: "Our leather products have won appreciation in trade fairs held at international fashion capitals such as Paris, Sydney, London, Vancouver, Tokyo and Hongkong."

But, to date, the division has largely concentrated on finished leather. The export market is estimated to be as large as Rs 2,500 crore, but a major slice of that is accounted for by value-added leather products and not just finished leather which forms a big part of MRF's export effort. Agrees Eapen: "Yes, we should get into more value-added leather products. We have made a modest beginning."

A step has been taken in this direction. A couple of years ago, MRF acquired Aruna Leather, a sick unit under the Board for Industrial & Financial Reconstruction (BIFR), at a price of about Rs 3 crore. Plans are afoot to use the assets there to turn out value-added finished leather goods and convert the unit into an integrated 100% export outfit soon.

While leather has already started doing its bit, MRF is banking a lot on its conveyor belts division, the latest addition to the company's portfolio of activities. The technical collaborator is Industrie Pirelli of Italy, and MRF has already completed sample product tests and got the approval of the foreign major. Initial supplies have been made to the public sector Neyveli Lignite Corp. Says Mappillai: "A full market launch is around the corner and our plant in Arakonam near Madras has just turned operational."

MRF's gameplan here is to tap the Rs 300-crore conveyor belt market to the hilt and go in for aggressive institutional selling. That means the company has to contend with competition not only from organised sector players such as Dunlop India, Andrew Yule and Hilton Rubber but also from a score of teeny-weeny unorganised outfits. Today, market leader Dunlop is estimated to have a 25% market-share and Hilton Rubber about 15%. Obviously, MRF will have to work hard to make significant headway.

What marketshare is MRF looking for? Says Eapen: "We should be able to chip out about 5-10% of the conveyor belt market and the project's payback period is about five years."

There is one hassle, however. MRF has invested about Rs 15 crore in the conveyor belt project and almost half of that has gone to finance imported capital goods. This means the cost of MRF's conveyor belt project is much higher than those of the competitors

THE TYREDROME: *In line with MRF's customer-friendly image*



It is a large family — 140 at the last count. The Mappillais are orthodox Syrian Catholics, converted to Christianity many centuries ago. Mappillai was at first just a honorary title conferred on illustrious Christians by the Dewan of Travancore and, somewhere down the line, came to be used as a generic community name. The family name of the Mappillais of the MRF group is Kandathil, which literally means "from the fields."

The origins of the Mappillais of MRF go back to Kandathil Varghese Mappillai (1857-1904) who founded *Malayala Manorama* in 1888 and his nephew and successor Kandathil Cherian Mammen Mappillai (1873-1954), who built the publication into a crusading mouthpiece. The latter was also founder of the Travancore National Bank (TNB — closed down by the British in pre-independence times), Mysore Rubber Factory, Badra Coffee, Balanoor Tea & Rubber Estates, Devon Tea & Produce (later bought up by Brooke Bond), South India Fertiliser and Gokul Rubber.

THE OTHER MAPPILLAIS

Kandathil Cherian Mammen Mappillai had eight sons and the incumbent chairman & managing director of MRF — Kandathil Mammen Mammen Mappillai — is the youngest of them. Who are the other seven, what are they doing and where?

The eldest of them is Kandathil Mammen Cherian (1897-1973) who rose to become *Malayala Manorama's* chief editor in 1954 after the demise of his father, and continued in that position until his death. He is survived by son Kandathil Cherian Mammen who is a retired medical practitioner.

Kandathil Mammen Oommen was his next brother who put in stints with TNB and Madras Rubber Factory, a toy balloon and tread rubber manufacturer and the forerunner of today's MRF. He is survived by two sons. The younger son is Oommen Mammen, a Bangalore-based medical practitioner, and the elder is Oommen Kurien, now the Kottayam-based publisher for the Malayala Manorama group of publications.

Next is Kandathil Mammen Eapen, a practising lawyer, who began his career with the Travancore National Bank as secretary and managing director. He finally joined MRF as legal advisor and remained so until his demise in 1982. His son, no longer in business, used to manage Devon Plastics, a little-known group company.

Next in line was Kandathil Mammen Verghese Mappillai who was managing the family's coffee, tea and rubber estates. He died in 1990 and is survived by a son and daughter. The son, Mammen Varghese, is currently managing the Bangalore-based plantation estates of Balanoor Tea & Rubber.

The fifth son Kandathil Mammen Jacob ran the show at the Mysore tea, coffee and rubber estate until he died in 1942. Kandathil Mammen Philip, the sixth son, began his career with the Bombay branch of TNB. Later, he founded the Bombay-based India Coffee & Tea Distributing Co of which he is still chairman. His two sons are in business: his first son Sen Mammen Philip is managing director of the Madras-based M.M. Rubber and his second son is Peter Philip, who is executive director of India Coffee & Tea.

Kandathil Mammen Mathew is the next son who is currently the managing editor of *Malayala Manorama*. All his three sons are in the publications business: Philip Mathew is the managing editor of the Malayala Manorama group's English weekly *The Week*, Mammen Mathew is the resident editor of the Kottayam edition of *Malayala Manorama* and Jacob Mathew is the resident editor of the paper's Calicut edition.

The last-in-line, of course, is Kandathil Mammen Mammen Mappillai, CMD of MRF. His second son Ravi Mammen, who was joint managing director, died prematurely in 1990. Of his other two sons, Kandathil Mammen Mammen is MRF vice-chairman and Arun Mammen is a director of MRF and its subsidiary Funskool.

Then there are 24 grandsons. The eldest of them is 30 and is jointly managing the Bangalore estates. The youngest, Ravi Mammen's son, is just six.

and, if a payback period of five years is desired, the company may have to peg its prices higher than others in the marketplace, which may not exactly find buyers queueing up.

If the conveyor belt project may require some belt-tightening, another profit centre — toys and boardgames — has not been turning in a profit. The products are manufactured and marketed by MRF's wholly-owned subsidiary, the Madras-based Funskool (India). The market for the upmarket US versions which Funskool turns out in technical collaboration with the international toy major Hasbro Inc (which is also a financial partner with 40% equity) is not all that heart-warming. In its fourth year of operation ended 31 March 1991, Funskool incurred a loss of Rs 79.57 lakh at the net level.

The problems here are manifold. One, the market for upmarket toys is limited and particularly so for the Americanised versions. Two, efficient distribution is the key factor for success in the toy market and Funskool initially could not convince many dealers to stock its range. Says whole-time director Arun Mammen: "The market for these toys is limited and so we are gearing up for exports."

ARUN MAMMEN: *Not quite fun and games*



Funskool has just sent samples of toys and boardgames turned out by its Goa unit to West Asian markets. Alongside, a soft offensive is on in the domestic market: Funskool is scouting for dealers and stockists in all major urban and semi-urban centres and planning to launch more products for children in the pre-school age. All in a bid to chip out a decent marketshare of 15-20%. Says Arun Mammen: "It is a Rs 80 crore market, but the problem is competing on price with the unorganised sector which today has 70% of this market."

The toy venture is in a way going back to the beginnings; MRF started life as a toy balloon and tread rubber outfit. It has come a long way since then to occupy top slot in the tyre industry. And there seems no reason to doubt that it will continue as tyre champ.

□ A.H. Ghani

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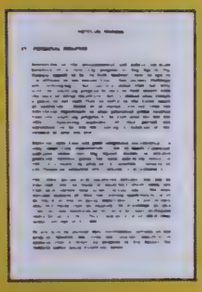
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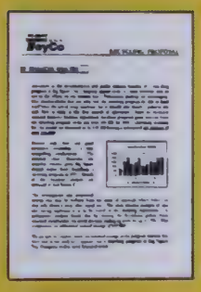
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ICICI is setting the pace.

AN EYE ON THE FUTURE

It's so far really been a case of Tweedledum and Tweedledee. Never mind that the Industrial Credit & Investment Corp of India (ICICI) has been a better performer than the rest; it has been just another public sector financial institution.

But with the sweeping changes in the financial sector, ICICI's stodgy image does not matter. Perforce, it is today on the forefront of change. And, just as the chrysalis bears little resemblance to the butterfly, the transformation some little way down the line may surprise all of us.



The stockmarket attitude to the relatively newly-listed ICICI shares provides a good contrast. When, in the eighties, stockmarket operators were making a killing on ACC shares after the first partial decontrol of cement, or when fortunes were made on Reliance and Tisco equity, there was little hint that financial companies would ever be star performers on the Indian bourses. This was despite the success of the numerous leasing companies which had mushroomed by the mid-eighties.

Today, just about seven years down the line, thanks of course to Manmohan Singh and the International Monetary Fund, the ICICI Rs 100 face value share, which barely got subscribed when the corporation made its public issue about a year-and-a-half ago and which went abegging at around Rs 350 in September 1991, has crossed Rs 3,000.

This really means a significant outperforming of the rest of the market, even at a time when virtually all share prices have risen many times. It is very good news indeed for ICICI's new family of 5 lakh shareholders, and altogether a good idea that a financial company which has been rated triple-A by international agencies should now rank ninth in terms of market capitalisation in India — in league with such industrial sector giants as Tisco, Telco, ITC, Hindustan Lever, Reliance, Century, ACC and Larsen & Toubro, corporations which precede ICICI in the rankings list.

Nevertheless, the question is: now what? ICICI chairman N. Vaghul himself admits that "so far the government gave us funds, and the government gave us business — ICICI had walk-in clients, and did not really go out to seek them". (see interview p. 34).

While Vaghul feels he may be overstating the case for rhetorical effect, this is substantially true. In the eighties, business doubled every two-and-a-half years, but it was easy then. Will this corporation, which has had its lines of business so far neatly structured by government directives, be able to respond to the new challenges in the economic order about to unfold?

If ICICI spokesmen and insiders are to be believed, the answer is an unqualified affirmative. Vaghul prefers to be somewhat general in speaking about ICICI's specific plans for the immediate future, but he, together with other senior members of the corporation's management, point to ICICI's history, its record of innovation and the definite though intangible "culture" built up over the years as conclusive evidence that it would succeed in the future years of challenge and change.



ICICI HQ IN BOMBAY & VAGHUL (INSET): *Changing times*

ICICI's inception in the fifties was because the World Bank wanted an Indian affiliate to on-lend its assistance for private sector projects. The Industrial Finance Corp of India (IFCI) was by then already in existence through an act of parliament in 1948, and the Reserve Bank also had a division for industrial financing which became the Industrial Development Bank of India (IDBI) in the early seventies, and is today three times the size of ICICI. ICICI's point of distinction from the other two behemoths was in its ownership — the Indian insurance companies took up equity stakes, as did private industry and banks, both Indian and foreign. In the initial years, at least, ICICI was definitely a private sector financial institution.

In the course of the late sixties and especially the seventies, with the nationalisation of banks and the insurance business, government shareholding in ICICI became dominant. And while the corporation has always remained

a board-managed institution with a strong chief executive, the "joint" approach of the financial institutions in all project funding tended to blur their distinctive identities.

DIFFERENT CULTURE

Nevertheless, the equity stake in ICICI by foreign banks, and its role in channelising the foreign exchange requirements for project financing in India, may have helped ICICI preserve a culture different from the other financial institutions. And this did allow it to become a pioneer and push out towards new activity areas.

The first such venture was in the early seventies, during the chairmanship of H.T. Parekh, when ICICI was the first financial institution to move into merchant banking and public issue management. Around the same time, the Housing Development Finance Corp (HDFC) was promoted which today securely stands on its own two feet as an independent corporation.

Pace-setting activity by ICICI in the past seven to 10 years has involved incorporating credit-rating agency Credit Rating & Investment Services (India) Ltd (Crisil) and the Shipping Credit & Investment Co of India (SCICI), and a strong move into leasing and bill discounting. And, currently, ICICI is definitely maintaining its record of innovation by being a moving force behind the Securities & Exchange Board of India (Sebi) and its thrust into venture capital and technology development activity.

ICICI sanctioned Rs 37 crore in 1990-91 under an International Development Association programme to technology institutions and industrial firms. Further, there are some USAID programmes for commercial technology and energy research, and the newly set up Institute for Financial Management & Research in Madras is being financed with about Rs 6 crore a year. All these together add up to a relatively small sum of money compared to ICICI's sanctions which run at the rate of Rs 4,000 crore a year but, nevertheless, the intention to be innovative is there.

Another major difference at ICICI, according to deputy managing director B.V. Bhargava, is a conscious preference for medium- and small-scale projects. "It has to be admitted that in ICICI's portfolio, the relatively small number of (so called) MRTP (Monopolies & Restrictive Trade Practices) houses walk away with a major share of the cake," says Bhargava. "But first-generation entrepreneurs also account for a good 40% of volume. In terms of numbers, they are of course the majority."

Bhargava, like Vaghul, envisages a future when the larger corporations would increasingly access the capital markets directly. "I think that the time may come when the financial institutions will not be able to count on their business at all," he says. "For a large, established company, the effective cost of raising money through a rights equity issue will be less, since free pricing will be allowed. In other words, it is the small and medium projects which will provide our main business. Our project appraisal function will therefore be vital, and the critical factor will be our assessment on whether the entrepreneur has chosen the right product and the right industry. ICICI's market research organisation is excellent, and I do believe that we have a headstart in this field."

ICICI's dependence on the specialists available not merely in its economics and market research wing, but also in the finance, technical and general management functions is underlined by general manager (operations) D.J. Balaji Rao. The real challenge in his job, he feels, comes not from sanctioning loans, but developing new businesses, monitoring implementation of projects till the assistance is repaid and, on occasion, helping a project when it runs into difficulties. "It is when assisted com-

ICICI'S FINANCIAL RECORD

(Rs crore)

	1988	1989	1990	1991
Share capital	80.05	80.05	91.56	114.58
Reserves	240.80	304.52	385.52	505.93
Borrowings	3,322.62	4,141.82	5,160.59	6,706.80
Loans	3,000.35	3,788.49	4,661.35	6,130.42
Investments	163.96	227.00	333.48	473.84
Leased assets	72.98	109.36	160.67	237.57
Other fixed assets	12.59	16.76	20.67	22.95
Net current assets	403.09	400.23	482.69	491.32
	1987-88+	1988-89	1989-90	1990-91
Gross income	421.56	447.16	599.63	783.45
Net capital gains	12.50	13.47	13.28	29.57
Profit before tax	92.65	93.70	118.14	164.82
Profit after tax	77.15	78.70	97.14	134.82
Dividend (%)	22.50	19.00	20.00	22.00
Earning per share (Rs)*	87.36	81.77	104.36	120.74

+ 15 months
* excluding net capital gains
Source: annual reports

BHARGAVA: *Focus on entrepreneurs*





DISCOVER THE TATA ESTATE



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TATA ESTATE

DRIVING IS BELIEVING

LINTAS TELCO AS 119 2434

"WE HAVE A HEADSTART"

N. Vaghul (54), chairman & managing director of ICICI, is today one of the seniormost professionals in Indian banking. Before his current assignment, which he took up in October 1985, he was chairman of the Bank of India. Vaghul has the justified reputation of being a forward-looking, thinking and articulate banker and, under his stewardship, ICICI has continued to play a pioneering role: witness the launching of Credit Rating & Investment Services (India) Ltd (Crisil), and the pivotal role played by ICICI in the setting up of the Securities & Exchange Board of India (Sebi). In his hour-long interview with BusinessWorld, *Vaghul surveyed the swift ongoing changes in the Indian financial sector. He, however, preferred to speak about ICICI's future plans in general rather than in specific terms because (as he put it), "the evolving situation is a fast-changing one, and I am now speaking at a moment when we are still in the process of thinking about our plan of action." Excerpts from the interview:*

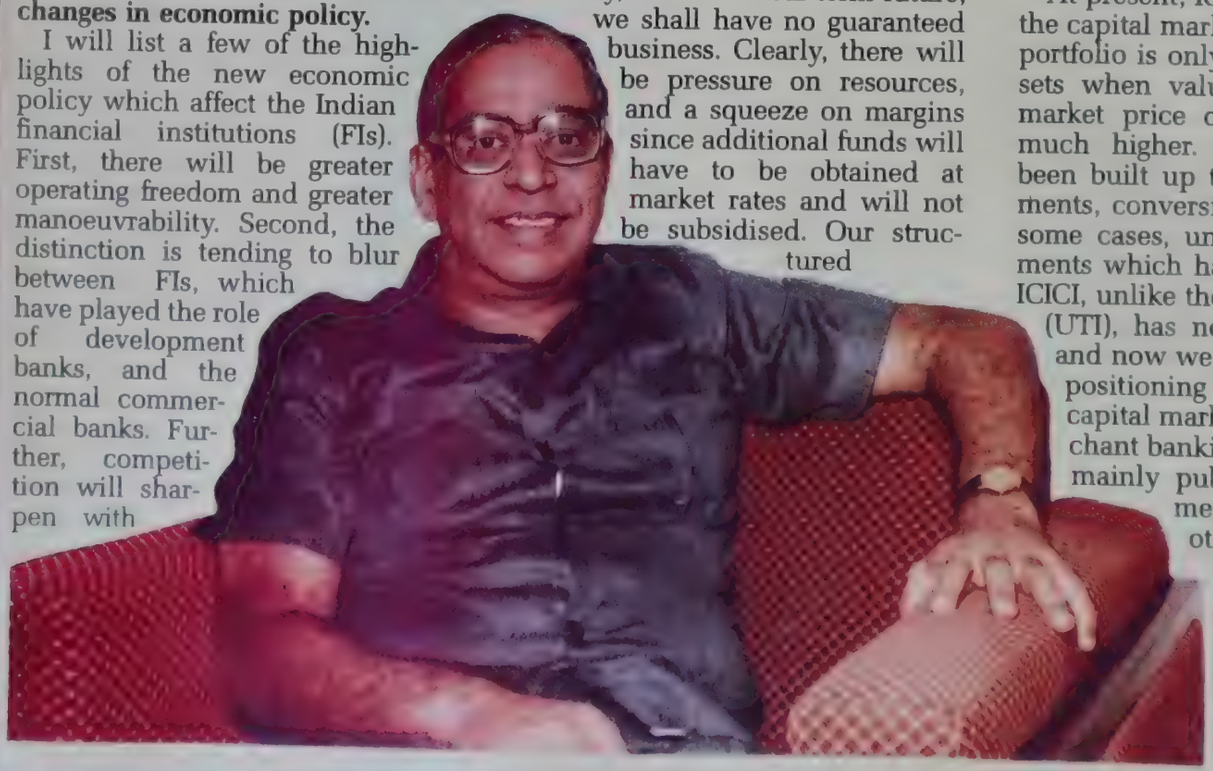
■ On how he perceives the current changes in economic policy.

I will list a few of the highlights of the new economic policy which affect the Indian financial institutions (FIs). First, there will be greater operating freedom and greater manoeuvrability. Second, the distinction is tending to blur between FIs, which have played the role of development banks, and the normal commercial banks. Further, competition will sharpen with the future entry of foreign banks and FIs, and private sector financial companies. Again, convertibility of the rupee will affect ICICI's position as the principal channel for foreign currency term loans for Indian industry. At the same time, with the stockmarket boom, activity is shifting to the capital markets for raising resources by industry.

■ On the likely impact on ICICI.

So far, we have operated in a regulated environment. We have had structured sources of funds and structured products. The lines of business were, to a degree, dictated to us. I may be overstating the case for rhetorical effect, but it was almost as if ICICI was a disbursing officer. The government gave us funds and business — for example, the direct foreign currency requirements in private sector projects had to be met by ICICI. We had walk-in clients and did not need to go out to seek them. In the past few years, of course, there was some change; government could not give us sufficient funds, and we had to borrow from the market.

Today, or in the near-term future, we shall have no guaranteed business. Clearly, there will be pressure on resources, and a squeeze on margins since additional funds will have to be obtained at market rates and will not be subsidised. Our structured products will therefore have to give way and new products will have to be obtained by us.



■ On ICICI's response to this challenge.

While the short-term future is important, so are the medium and long term. We have to ensure good short-term business, but have to prepare for the future. However, the environmental changes that we foresee will to some extent be gradual — for example, the entry of the private sector or competition from foreign banks. Clearly, we have a great headstart and are in a position of advantage with all the years of experience behind us, our pool of professional talent within the organisation and the goodwill of our clients.

But there is one aspect of the current change which is immediate and is pressing. This is the shift taking place towards the capital markets for raising resources. With free pricing of public offerings, existing companies will prefer making rights equity issues to borrowing. And even new projects will raise equity in preference to loans.

At present, ICICI is a bit player in the capital markets. Our investment portfolio is only 3% of our total assets when valued at cost, though market price of course would be much higher. This portfolio has been built up through direct allotments, conversion of loans and, in some cases, underwriting commitments which have devolved on us. ICICI, unlike the Unit Trust of India (UTI), has not traded in equity, and now we have to think about positioning ourselves in the capital markets. So far, our merchant banking activity has been mainly public issues management. A whole range of other investment banking activity has been left out, and now opportunities are beckoning.

We may therefore have to think about separating our merchant bank-

ing activity, perhaps floating it out as a new subsidiary, and enlarging the scope of its activities. We may have to think of a Chinese wall between our existing activity and the new investment banking division. Therefore, we shall have to evolve new structures and systems, and rethink about manpower deployment, besides innovating new products to meet customer requirements.

However, all this is not to forget the origins of ICICI's existence. The organisation came into being as a development bank, and must continue in development finance. Yes, money is to be made in the stock and money markets, but project financing will continue to be the major activity.

■ On possible changes in ICICI's current role in providing the main channel for foreign currency term loans for Indian industry.

So far, foreign currency term loans for capital goods imports have carried a somewhat concessional interest rate (compared to rupee borrowings), but have carried a considerable exchange rate risk. With the move towards convertibility, the importer will have the option of crystallising his entire liability in rupees, and thereby avoid the escalation when foreign currencies appreciate against the rupee. In future years, ICICI may not, therefore, need too much of forex borrowings. The situation is still however very fluid.

■ On the "changed" character of ICICI, now that it has widespread public shareholding, and five lakh shareholders.

ICICI has never been what is understood as a "public sector financial institution" since, from the very inception, we have had foreign banks and FIs as shareholders. Government shareholding reached 85% plus only after the nationalisation of the insurance companies. Now, government shareholding is down to 55%. There has been an evolution during the past 30 years — a full circle has been traversed in the initially lower, then high, and again lower level of government shareholding.



RAO: *Acute cases provide maximum stimulation*

panies need to restructure their businesses that our best skills need to be employed," says Rao. "It is the acute cases — thankfully very few in number, not accounting for more than 3% of our loan portfolio — that provide the maximum stimulation."

Somnath Roy, ICICI's deputy general manager in charge of the merchant banking division, also talks about turnaround situations, restructurings and mergers and acquisitions (M&A), not as an extension of the corporation's lending activity but as a field of investment banking into which his division is now preparing a major entry. "I do believe that investment banking in India will expand enormously," says Roy. "We have already undertaken some M&A assignments. With our skill base, information bank and the years of experience behind us, I believe that we shall have a great competitive advantage."

The competitive advantage will, of course, be reinforced by the kind of foreign tieup which only an institution like ICICI can manage to have — talks are on currently with Morgan Stanley, J.P. Morgan, Banker's Trust and Bank Paribas for a strategic alliance, which may result in a separate investment banking company a few months down the line.

In issue management, ICICI has been a pioneer and, as Roy points out, it has a fairly impressive track record. Eurobond issues by major Indian companies will provide substantial business in the immediate future. As far as normal, run-of-the-mill public issue management is concerned, some others, like State Bank of India, are very aggressive in this area, and actually much larger than ICICI.

"This may certainly be true," says Roy, "but we score over normal commercial banks in project appraisal, and in structuring finances for a project. While it could be alleged that a few public issues managed by us have failed to live up to investor expectations, we ourselves have taken exposures in these companies and, ultimately, have turned them around."

Roy, Balaji Rao and Bhargava, allay suspicion that there are a lot of bad apples in ICICI's portfolio. According to them, most of the sticky situations ultimately end up in turnaround. And in the few really acute cases, asset cover is adequate, though there could be loss of interest. They admit that since the mid-seventies debt-equity norms have been diluted in India to the point that loan finance virtually became risk capital, but this trend is now clearly being reversed and capital adequacy being restored.

In any event, Bhargava asserts that ICICI has always made adequate provision in its accounts for any problem cases. There are, however, some

accounting practices in India which are not in line with international norms — for example, a full disclosure of all bad debts, and the precise point when a company is treated as a defaulter (after four instalments in India as opposed to two in some Western countries). World Bank insistence may soon compel ICICI to fall in line and enforce more stringent accounting practices. When this is done, there is bound to be some impact on the bottomline in that particular year. It is unlikely, however, that there would be any disastrous reduction in profits.

ICICI'S RESOURCE POSITION

	(Rs crore)
Rupee resources	
Share capital	114.58
Reserves	505.93
Debentures/bonds	2,517.42
Others	1,449.58
Total	**4,587.51**
Foreign currency	
Institutional borrowings	2,406.79
Bilateral credits	246.77
Commercial borrowings	1,725.49
Total	**4,379.05**

Note: as on 31 March 1991

A major reason why ICICI is healthier than other financial institutions is that about a quarter of its business comes from financial services (leasing, bill discounting, merchant banking etc), where risk is minimal. And even in the future, this blend of risk and non-risk financing will continue, with a clear eye on the bottomline. ICICI spokesmen feel that the name of the game will be volumes, low administration cost (where the corporation is well within international norms) and in selection of assets. The last holds the key, and risk containment is essential. The possibility of thinner spreads can be taken in stride — provided the loans given out by the corporation do not turn sour.

For sources of funds, there could actually be quite a few worries. Deputy managing director N.J. Jhaveri points out that SLR (statutory liquidity ratio) funds, available from banks, have now been frozen for ICICI for two years. SLR funds may soon dry up because norms have been lowered, and there is a long queue for whatever is available. "We are already raising money from UTI (Unit Trust of India) and LIC (Life Insurance Corp)," says Jhaveri. "Soon our only source may be borrowing in the domestic market, together with internal generation. However, I do believe that refinance options will be available in a much bigger way in the future. With securitisation of loans, ICICI should be able to roll over funds much faster."

ROY: *Investment banking will expand*



The other important matter is that competition in the lending business will shape up with the entry of the private sector and foreign banks. Vaghul, however, believes that any serious challenge will only come in the medium-term future and that ICICI has a headstart (see interview). But S.S. Nadkarni, chairman of IDBI and Vaghul's predecessor at ICICI, points out that there would be increasing rivalry between the existing three main public financial institutions — IDBI, IFCI and ICICI.

"Since commercial considerations are being stressed, the institutions will have to pick and choose," says Nadkarni. The implication is that any credit-worthy borrower would have competing bids for his business and the quality of service provided would count. Also, the trend towards specialisation which gathered pace in the eighties with SCICI and HDFC having spread their wings may now decelerate, and much more of a free-for-all atmosphere may prevail. The first indicator could well be IDBI's move to set up a full-fledged and independent merchant banking division.

ICICI spokesmen are unanimous that it is the medium-sized entrepreneur, perhaps unknown today, who will provide the mainstay



JHAVERI: *Going in for borrowing*

business in future and will have to be nurtured. Nadkarni and Vaghul both agree that the licensing regime could have sapped animal spirits of the Indian businessman somewhat, but are equally confident that with the changed rules of the game, there would be a new blossoming of entrepreneurial talent.

According to this perception, the Indian financial markets are becoming broader and deeper, and volume of business is guaranteed. Ultimately, funds for lending will always be available. The key will be to grow profitably, which is the final touchstone for the still-unfolding strategic thinking of Vaghul and his team at ICICI.

□ Subrata Roy

CHANGING TRACK

It takes a lot to survive in the drugs and pharmaceuticals industry these days. Unremunerative prices and the will-o'-the-wisp drug policy have seen many companies step into unrelated areas. Those who have stuck to the knitting have had to buck up and rework gameplans. Take, for instance, the Bangalore-based Astra-IDL. This Indo-Swedish joint venture between Astra Pharmaceuticals AB and the Hyderabad-based IDL Chemicals is working out new strategies to stay on its feet. Says chairman Satyabrata Ghosh: "We are sharpening our business focus."



GHOSH: *Sharpening focus*

As the first prong of this strategy, Astra-IDL is going to concentrate on Astra AB-researched products. Currently, the Indian company has more than 30 products under four broad categories — cardiovascular drugs, respiratory drugs, local anaesthetics and antibiotics. Says Ghosh: "As a part of the new strategy, Astra-IDL will launch in August the cardiovascular drug Felodipine, which is a second generation calcium channel antagonist."

The second component of the gameplan is more exciting — hammering out co-marketing agreements with other pharmaceutical companies. Thanks to the scorching pace at which Astra AB is kicking off worldwide launches, the Indian partner has been lagging in maintaining tempo here. Says marketing manager M.H. Narasimhan: "Co-marketing is the only answer." Under a co-marketing arrangement, two companies come together and pool their marketing resources to push and promote their respective brands in the same product category.

Such agreements are not exactly uncommon. Since the mid-eighties, when co-marketing marriages became more visible (though the first-ever co-marketing tieup was in 1974 between Burroughs Wellcome and Roche Products of India for promoting their brands of Septron and Bacterine), quite a few companies have gone ahead and concluded such deals.

For instance, Roussel Pharma and Hoechst India jointly promote their brands of clauforon, while Hoechst and Boots India jointly market their pentoxifylin brands. Says Narasimhan: "We will be signing a co-marketing arrangement soon with Hoechst India for promoting Felodipine and Hoechst AG-researched advanced ACE-inhibitor Ramiprin." The objectives are clear: to whittle down the lead-time to launch and establish the products in two-three months (against the usual 6-12 months) and make the maximum noise during that period. Adds Ghosh: "Add to this our export thrust and keenness to reduce the number of formulations, and Astra-IDL has certainly got its focus right."

Exports too are being looked at with a renewed glint. That hasn't been a key area so far, because Astra-IDL's products could not be exported to markets where its parent had a presence. The only significant exports to date have been to Afghanistan and Russia. "All that is changing," declares Ghosh. Astra-IDL is now actively eyeing the whole of south Asia. Adds Narasimhan: "Soon exports will contribute more than the current 20% to Astra-IDL's turnover."

New products. In the Indian market, there are likely to be some new products. Astra-IDL is currently working on launching its Omeprizole, a peptic-ulcer management drug which is internationally known as Losec. And it is confident of making it a success, despite competition from Ranitidine of Glaxo India and Tagamet of Eskayef India. Says an executive of Eskayef India: "Losec is an international brand and a strong world player in the peptic-ulcer segment."

Prostoglandins is another product Astra-IDL will be launching soon, the first-ever drug in India for maternal health care — the drug helps easy delivery and controls post-natal bleeding. Says Ghosh: "These products will help us soften the impact of the Drug (Prices Control) Order (DPCO) on our bottomline. Look, as much as 80% of our products fall under the price-controlled segment."

All this does not mean Astra-IDL is going to ignore its existing bread-and-butter products. Part of the strategy is to maintain its 85% marketshare in the lo-

ASTRA-IDL's PRODUCT RANGE*



* Percentage of total sales

ASTRA-IDL: FINANCIAL HIGHLIGHTS

(Rs crore)

	6 months ended 30 Sept 91	6 months ended 30 Sept 90	Year ended 31 Mar 91	Year ended 31 Mar 90
Gross revenue	14.12	12.59	26.12	21.74
Gross profit	1.49	1.26	3.31	2.01
Profit after tax	0.64	0.56	1.62	1.06
Equity share capital	2.50	2.50	2.50	2.50
Reserves & surplus**	—	—	4.86	3.66
Earning per share (Rs)	5.12*	4.48*	6.48	4.24
Gross margin (%)	10.55	10.01	12.67	9.25
Net margin (%)	4.53	4.45	6.20	4.88

* annualised ** free reserves

ASTRA-IDL

cal anaesthetics market. Says an executive of a competing company: "Astra-IDL's anaesthetics brand Xylocaine, Astra AB's first-ever researched product in the field, has become almost synonymous with anaesthetics." Xylocaine contributes as much as 35% to Astra-IDL's turnover. Even in other segments such as respiratory care drugs, Astra-IDL has strong products such as Bricanyl (terbutaline) which has a marketshare of about 6%,

In a bid to maintain its pre-eminent position in the respiratory care segment, Astra-IDL has recently added a new product — the Pulmicort inhaler, which is a topical inhalational steroid for asthmatics. Trade circles point out that in the inhaled steroids market Astra-IDL has emerged market leader with a marketshare of 60%-plus.

Interesting recent launches by Astra-IDL in respiratory care are its metered dosage inhalers, spacehalers and misthalers. These are breath-aiding appliances for asthmatics and are as important as the drugs. Says Ghosh: "Thanks to these, within 10 months of launch, Pulmicort is leading the inhaled steroid pack in the marketplace." In the cardiovascular segment too, Astra-IDL has its beta-blocker under the brandname Betaloc, which controls 9.5% of the total market for beta-blockers.

On balance, Astra-IDL's growth target for 1992-93 is 30% across-the-board. However, efforts are on to make the three thrust areas — cardiovascular, respiratory care and anaesthetics — chip in more than their current 38.6% contribution to turnover. There is another tack to the export focus too. Says Ghosh: "Astra-IDL has developed indigenous technology for the manufacture of bulk drugs such as ibuprofen. Though these bulk drugs are mostly consumed in-house, our emphasis is to export them tomorrow and earn maximum forex."

Astra-IDL's strength has always been research. And if it is shifting its focus more on Astra AB-researched products, it just shows that the Indian company is keen on consolidating its strengths. And that could be just what the doctor ordered for success in an industry where bottomline blues are all over.

□ A.H. Ghani

POWERFLOW

WIRED FOR SUCCESS

It is a power-intensive business which hasn't always got its proper quota of power. The price of critical imported raw material copper is way too high. And competition is fierce. So, what does Bangalore-based copper winding wire manufacturer Powerflow do? Go in for value-addition, of course.

Says managing director Krishnakant Prataprai Mehta: "We have the machinery to make these (polyamide and polyesteramide) wires and, what's more, we have been assured that we will get technical assistance from Maschinen und Apparatebau Gesselschaft (MAG) of Austria, the numero uno in Europe in enamelling machines. These wires can improve our profitability."

And Powerflow needs to do that desperately. Profitability in this industry has been very low. And competitors are legion.

But Powerflow is sure of holding its own. Apart from value-addition, the company plans to push exports in a big way. That should not be too much of a problem, given the value of the Indian rupee. Says Mehta: "We have received trial orders worth Rs 10 lakh from Singapore, Australia and Germany and we are sure there is a big market out there."

Besides, the market at home is not a total write-off. The demand for winding wires has to wind upwards. One of the reasons is that the power sector is set to expand, thanks to private players who already have one foot in the door. And most electrical equipment makers including Siemens, Kirloskar Electric and Asea Brown Boveri (ABB) are stepping on the gas (sale of winding wires to original equipment manufacturers such as these account for as much as 95% of Powerflow's annual turnover). Says ABB deputy managing director Arun Thiagarajan: "The market for winding wires should grow at a reasonable clip."



MEHTA: *Bright future*

Industry estimates put demand for winding wires at 70,000 tonnes by 1994-95. Against this, the total installed capacity currently is 60,000 tonnes.

But that happy state is in the future. Does Powerflow have a strategy to boost the bottomline in the short term? "We have been concentrating more on winding wires for the refrigeration industry for some time now. These are more profitable," says Mehta.

Super-fine wire for use in electronic watches and gadgets is the next speciality product Powerflow is working on. The investment needed to make this import-substitute is Rs 4 crore. "The entire investment has been tied up — a Rs 1.50 crore term loan from the Industrial Development Bank of India, Rs 90 lakh from internal accruals and the balance from MAG as deferred suppliers' credit," says Mehta. When that project gets going, Powerflow could be in for super-fine times.

□ A.H. Ghani

POWERFLOW: FINANCIAL HIGHLIGHTS

(Rs crore)

	6 months ended 30 Sept 91	6 months ended 30 Sept 90	Year ended 31 Mar 91	Year ended 31 Mar 90
Gross revenue	15.66	12.50	24.62	23.70
Gross profit	0.52	0.44	0.82	0.90
Profit after tax	0.19	0.04	0.18	0.11
Equity share capital	1.95	1.95	1.95	1.95
Reserves & surplus	—	—	12.59**	0.34**
Earnings per share (Rs)	1.95*	0.41*	0.92	0.56
Gross margin (%)	3.32	3.52	3.33	3.80
Net margin (%)	1.21	0.32	0.73	0.46

* annualised
** including revaluation reserves of Rs 11.97 crore and Rs 0.06 crore respectively.

A BITTER PILL

Cadbury India chairman & managing director C.Y. Pal is in strange company these days. Along with the communists, socialists and others of their ilk, he is critical of Manmohan Singh's revolutionary budget.

With reason, of course. Amid Singh's excise tinkering is a 10% increase in the impost on cocoa and cocoa-based products. This takes the total excise to 25%, added to which is a 5% special excise duty. And chocolate major Cadbury, which gobbles up 60% of the total cocoa production in the country, is obviously the hardest hit. "We (the industry) have been singled out from the entire bunch of food processors," says Pal. "This (the excise hike) is going to dampen the growth prospects of the cocoa-product industry."

Cadbury's bread and butter comes from chocolates. It holds a 65% marketshare in this segment, which contributes about 60% to the company's turnover (1990-91: Rs 122.29 crore). Consequent to the excise axe, the company has passed on the burden to the consumers by hiking prices by 13% at one go. And it could put a damper on sales.

Besides, competition has been brewing in the chocolate market. Nestle, a relatively new entrant in this field, is stepping on the gas to get at the consumer's sweet tooth and traditional rivals like Amul have also been busy.

But Pal is not perturbed. "Nestle's entry has only helped the market to grow," he says. Cadbury plans to introduce several variants in this segment soon.

Another growth area Cadbury is concentrating on is food drinks. Its current offerings are Bournvita and Choc-o-cheer. In the next couple of months, the company plans to introduce Bournvita in a new avatar, which "will be more nutritious." Food drinks account for about 30% of the company's turnover.

Cadbury's other area of activity is ice-cream. Though yet to go national, Dollops has coolly made a small inroad into the ice-cream market. Says Pal: "We began almost two years ago; now we can confidently say that we have arrived on the scene." At present, it contributes about 5% to the total income. Later this year, Pal hopes Dollops will wend its way to the east which will complete the nationwide reach.

But if Dollops is going places, Cadbury's entry into biscuits has come a cropper. In an interview to *BusinessWorld* about two years ago Pal had said: "We would like to have a 20% share... Sales are picking up and I think we are giving Britannia a fight." Far from slugging it out in the ring, Cadbury has failed to even pick up some crumbs.

The company had earlier made an expensive soft drink sortie with apple-based Appella, which met with market apathy and had to be pensioned off. The biscuit foray, while not as damaging to the bottomline, is history repeating itself. Says Pal: "We felt that the prospect of making it big in the biscuit market is dim; hence we've pulled out. We'd rather concentrate on existing and newer areas."



PAL: *Singled out*

New venture. What are these fresh ventures? Pal prefers to keep his plans, like his products, under wraps. But Cadbury certainly intends to test the waters in the sugar confectionery business. "You will see one or two new products by this year end. We will venture only into allied food areas and not manufacture automobiles and televisions," is all that Pal reveals.

The sugar confectionery (boiled sweets) sortie is not really something new. According to original plans, the products should have been out in the market by now. However, the large outlay on ice-creams, which are yet to pay substantial dividends, has delayed the launch.

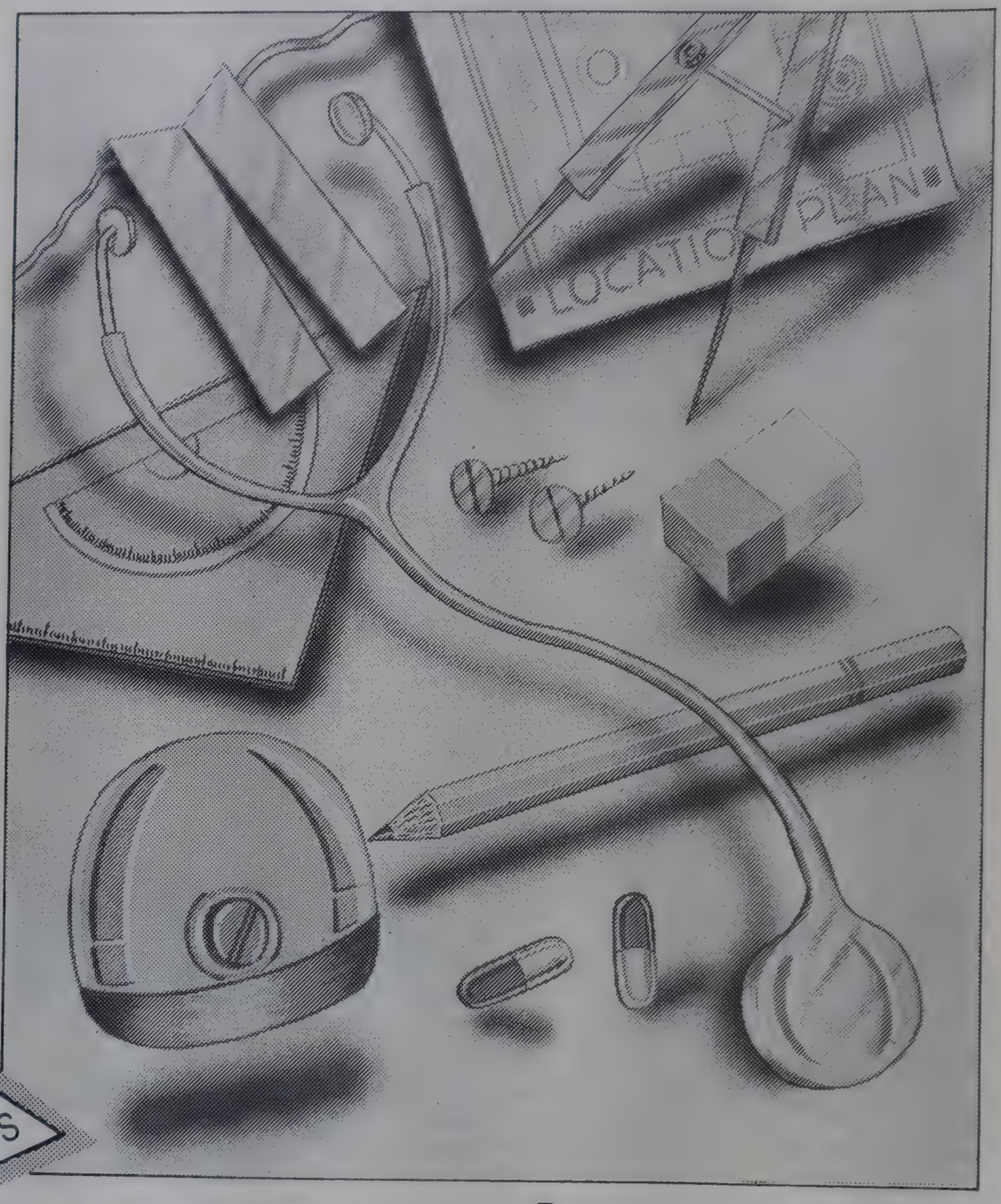
One area where Cadbury has met with some success is exports. Zilch till about three years ago, for the year to March 1991, the company shipped products worth Rs 18 lakh. This year, goods worth Rs 3 crore have left Indian shores and Pal hopes to take the figure to Rs 5 crore the following year. The destinations are West Asia and neighbouring countries such as Sri Lanka, Bangladesh and Afghanistan.

While the outward shipments have brought in some moolah, the financial performance of the company is not all that cheerful. For the year to March 1991, Cadbury registered a post-tax profit of Rs 5.34 crore on a turnover of Rs 122.29 crore. The profit would have been halved had the company not sold off a part of its property in Bombay, which fetched it Rs 2.5 crore. The advertising expenditure for the year was up 40% and it is expected to be even higher this year (1991-92) because of Nestle's presence in the market.

For the first half of this year, though turnover at Rs 66.71 crore was up 19% over the corresponding previous period, net profit dropped 25% to Rs 1.43 crore. While the company may be able to notch up a turnover of Rs 150 crore to March 1992, net profit will be way below last year's figure. It is likely to end up at only Rs 3 crore. This, coupled with the excise axe, is certainly bound to leave a bitter taste in the coming year. Cadbury and Pal are today realising that you can't always have dollops of success.

□ Roy Pinto

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MASTERING BAD TIMES

His Master's Voice (HMV) has not gone to the dogs after all. Despite industry prognostications, Gramophone Co of India (GCI: trademark HMV) is humming happier tunes today. While earlier the mood was one of resignation to recurring losses, company officials now speak ebulliently of profits. Yesterday's stretcher-case has clearly gained a new lease of life.



CHANDA: *Foregoing nostalgia for profitability*

The figures speak for themselves. GCI should be closing financial year 1991-92 with a turnover of Rs 46 crore and a net profit of around Rs 1.30 crore. On the profit front, this is 65 times better than the Rs 2 lakh earned in 1990-91 on a turnover of Rs 31 crore. Furthermore, GCI's London operations contributed Rs 7.8 crore in 1991-92, a good 17% of the total turnover compared to a much-lower Rs 4.5 crore in 1990-91.

But GCI cannot afford to rest on such minor laurels. In the fiercely competitive music industry, only the nimble-footed can hope to survive. And the company has traditionally been found lacking in its response to external changes.

Of all the ills that were responsible for GCI's malaise, the most commonly-discernible one was that the market switched from records to cassettes thereby eroding demand for the long-playing discs, maintains GCI director Sumantra Banerjee. Being the lumbering behemoth it was, with most of its expertise restricted to records, GCI's reactions were predictably slow. Worse still, while the company was floundering amidst this confusion, pirated cassettes flooded the markets with their cheaper wares.

Sound treatment. Fortunately for GCI it found a good nurse in RPG Enterprises vice-chairman Sanjiv Goenka, who took it upon himself to steer the company back to health. One of the most important strategic decisions implemented early on was to gradually junk records, while hiking volumes for cassettes. The other was to re-enter the film music business by tying up with producers to market cassettes before a movie was released. The first decision wasn't easy a-coming considering the company's long association with records. But as GCI president & chief executive Pradip Chanda says: "Nostalgia could not be tolerated at the cost of profitability."

With a definite revival plan mapped out, GCI worked on the cassette-cum-film music push with a vengeance, almost as if to make up for its years of sleepwalking. It dropped prices and became more proactive to the fast-changing needs of the marketplace. Luckily for the company, movie music was making a comeback around this time. As a result, GCI's recordings for films such as *Chandni*, *Maine Pyar Kiya* and *Hum* just zoomed up the music charts ending up as blockbusters. From then on the company was on a roll. More hits followed: *Henna* and *Saudagar*, among others. The upshot: it got the higher volumes it was seeking (HMV's installed cassette production capacity is 2.5 million cassettes per month today) and it beat the pirates at their own game.

That was in the past, what about the future? The company is currently preparing for that. It is finetuning strategies to improve its standing in the marketplace. These include:

- Giving a renewed emphasis to the promotion of non-film music ("without subtracting from new film music" — read: film music will continue to be a major earner). The company has a chart-topper to prove that this move is on the ball: *Sajda* — a two-cassette or two-LP set of ghazals by Lata Mangeshkar and Jagjit Singh. Priced at Rs 74 for an ordinary cassette set and Rs 185 for a premium handcrafted silk covered jewel-box set, *Sajda* since its release on 21 December 1991 has been a runaway success, outstripping its initial launch run of 5 lakh cassettes by some 20%.
- Launching a mail-order catalogue by end-1992. Targeted at the 'discerning listener' the catalogue will be theme-based and artiste-independent. A separate cell looking after this is likely to be set up. This will go a long way in reinforcing loyalty from the well-heeled crowd.
- Making a comeback in the western music category using its strong links to international pop stars recordings through EMI. Last year, the company drummed up some Rs 7 crore through sales of western music cassettes, accounting for a 25% slice of the segment. According to Chanda, western music accounts for 10-12% of volume in most areas, touching even 20% in some select pockets.
- Very sharply segmenting its repertoire into western, classical, catalogue

and popular. (This is in the final stages.) The move appears to be in the right direction. Being a low-value item, cassettes are largely impulse purchases and placing them category-wise on shop shelves will make spot purchases easier. At the same time, the individual title will concurrently benefit from the umbrella advertising of the group.

- Increasing sales of compact disc (CD) recordings. With reports that some 2 lakh CD players are currently nestled in Indian homes, GCI is looking at this music medium closely. It has imported CDs from parent company EMI in the UK. With a sticker price of between Rs 400 and Rs 500, Banerjee expects around 15,000 of them to be picked up by end-April. (Incidentally Spencers, another RPG group company, is also setting up a Rs 9 crore CD manufacturing unit with an annual capacity of 2.5 million CDs.)

Prima facie, the plans seem like good bets. But their success will depend more on the kind of counterploys the competition throws up. In Indian music, one thing that may give GCI an edge is the fact that Music Mughal Gulshan Kumar is concentrating on metamorphosing into a Movie Mughal. And sources say his T-Series label is more or less being used as an inhouse music vehicle for his films. Consequently, the market has been thrown wide open. A new breed of small players is pitching for a share of the spoils, while the earlier big guns are also chasing the big banners. If GCI can tap the right ones, churn out the right music, and keep a close watch on its flanks, a larger share should come its way.

Bubbling over. In the western music segment, things are really bubbling over. With MTV beaming its way into millions of Indian homes, music buffs are watching the latest music videos and are increasingly demanding the latest singles — and fast. And competition here has reached a crescendo what with Magnasound, Music India Ltd (MIL), Sony CBS, Bremen Music and GCI, itself, getting hyperactive. While all of them have good overseas connections, GCI is sitting on a goldmine of sorts: its associate EMI (UK) has links with Chrysallis Records, Virgin Records and Delphine Records. And that gives it access to big ticket names such as M.C. Hammer, Richard Clayderman, Jethro Tull, Billy Idol, Sinead O'Connor and Huey Lewis, among others. If GCI can get to market quickly, there should be no stopping it.



A STILL FROM HENNA: *Musical blockbuster*

On the whole, Chanda is quite confident of GCI making it even bigger in both international and Indian music, competition notwithstanding. And what's making him bullish is GCI's many-tiered distribution network, which has emerged as its strength. Says he: "We are the only company that has a down-the-line-marketing framework; the rest operate only from head offices." At the apex of the system are direct retailers (eg: Rhythm House in Bombay; Melody in Calcutta), some 2,500 in all, backed by 30,000 distributors in appointed territories and 20,000 wholesalers spread out over the country.

Apart from that what's adding to his confidence is the fact that GCI went on a recruitment binge, making raids on other companies to lure away some livewire managers. Among those it succeeded in luring onto the GCI bandwagon are: Ujjal Gupta and M. Shankaran (ex-Lipton — now in finance), Shantanu Bhattacharya (ex-Rallis — now in manufacturing and projects), Raghu Pillai (ex-ICIM — now in sales) and Sunil Lulla (ex-HTA — now in marketing). The hope is that the new recruits will add a dose of freshness to the company's operations.

BANERJEE: *Getting his listeners back*



While all this is fine, what isn't is the Rs 29 crore accumulated losses appearing in the company' balance-sheet. No amount of streamlining and restructuring can staunch that bleeding wound pronto. Banerjee does not see it healing before 1997-98.

Yet, he is sanguine about the future. "Our listeners are coming back," he states. "In fact, HMV was so much a part of the cultural ethos that when it was brought back to health people were genuinely happy as if an in-alienable part of them was salvaged," he adds.

Well as the saying goes, you can never keep a good ol' dog down.

□ D.N. Mukerjea

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IN THE FAST LANE

Situated about 20 km from the hub of business activity in a nondescript, dusty industrial estate in Thane (on the outskirts of Bombay), is the low-profile Klockner Windsor India Ltd (Kwil). Engaged in the manufacture of plastic processing machinery, Kwil took all of 28 years to join the Rs 100 crore turnover league. But the company wants to shed the slowcoach image by stepping up the tempo in moulding the future. It plans to polevault into the Rs 200 crore turnover clan in the next four years. "We will achieve this target without any major investment plans in the pipeline," says a confident N.K. Patel, joint managing director of the company.

That should be quite an achievement for Kwil which, till about five years ago, was clocking a turnover of about Rs 20 crore. The company was incorporated in 1963. A year later, it changed its name to R.H. Windsor (India) only to don its present garb in 1966. The collaborator — Klockner Ferromatik Desna, a subsidiary of the Klockner-Werke group — holds a 40% equity stake in Kwil and the Indian promoters have 35%.



PATEL: *Going places*

In 1986, Kwil went public and has been growing at a faster clip since then. In this period, the company had two bonus issues — 1:2 in 1988-89 and 1:1 in 1990-91 — and indications are that another bonus cheer is expected a year-and-a-half down the line. Today, the company has three manufacturing facilities at Thane, Vatva and Chhatral (both in Gujarat) that roll out injection moulding, blow moulding and extrusion machinery and boasts of being the top-dog in its line of operation. Kwil's competitors include big names such as Godrej, HMT, Larsen & Toubro, Padmatex, Lohia Machines and SLM Maneklal (now a stretcher case).

Injection moulding machinery, which finds applications in manufacturing rubber shoe soles, components for automobiles and electronics, contributes 60% to the company's total turnover. The other major bread-earner — plastic extrusion machinery which chips in 25% — finds use in making laminations, wrappers and pouches/bags. The balance comes from blow moulding machinery used for making containers and thermoware.

Stillborn. While Kwil has been doing well in these areas, its plans to get into the manufacture of packaging machinery, with knowhow from Klockner-Werke AG, were stillborn. Says Patel: "It required a totally different technology and the clientele we would be catering to would have been totally different." (It is believed that Voltas has sealed the deal with Klockner-Werke for the manufacture of packaging machinery.)

Today Patel is content with sticking to the knitting. Says he: "We want to consolidate and improve the product range and productivity. Plastics is the thing of the future."

In the past five years, Kwil's sales have grown at an average annual rate of 45% (compounded). For the year to March 1991, turnover has jumped 37% over the previous year to Rs 102.22 crore. Post-tax profit is 47% higher at Rs 8.66 crore.

The company has performed exceedingly well on overseas shipments. About 40% of its turnover comes from exports, the bulk of which used to wend its way to the erstwhile USSR. Now, with the dislocation in the bloc, Patel plans to reorganise the export thrust. "Russia is too big to be ignored and we are waiting for the Indo-Russian trade treaty. Besides, our collaborators will pass on those orders which work out cheaper if executed in India. We are not going to give up on the export thrust," says he. He claims to have export orders to hard currency areas worth Rs 10 crore.

Exports may be in good shape. But Kwil will find it difficult to maintain its 40%-plus overall growth. Patel has set his sights on a figure of 20-25% annually. However, for the year to March 1992, Kwil will not be able to achieve the expected growth rate if the six-monthly results of the company are anything to go by.

Plummeting profits. For the first half to September 1991, turnover at Rs 43.55 crore dipped 3% over the corresponding period of the previous year. Net profit plummeted 85% to Rs 43 lakh. Had tax provisions been made, the company would have reported a net loss.

Patel attributes this to the credit squeeze and the delay in recovering government dues, which forced the company to borrow funds at higher interest rates. But in the subsequent three months to December 1991, the company reported a post-tax profit of Rs 1.29 crore (unaudited). Says Patel: "After September, we have more than recovered. And 1992-93 will certainly be much better on the profitability side than in the past."

While the drop in profits could be a passing phase, another problem Kwil is encountering is on the labour front. About 156 temporary workers have staged a *dharna* outside the Thane works. Their grouse: while workers employed since 1983 are still considered temporary employees, the company is continuing with its fresh annual recruitment. At the time of writing the matter had been referred to the labour court.

But Patel is confident of ironing out this "temporary" problem. As for the future, with the government allowing foreign collaborators to hike their stake to 51%, Klockner Ferromatik has evinced keen interest. According to Patel, the collaborator will hike its stake in a phased manner. Says he: "This shows the collaborator's commitment to the company. You will see Kwil go places in the future."

In the meanwhile, Kwil plans to shift its corporate headquarters from the soot-laden environs in Thane to the queen of suburbs, Bandra, in Bombay. That would be really going places.

□ Roy Pinto

TOUGH GOING

Nearly a year ago, Eternit Everest battened its hatches. Plagued by problems in the marketplace, the Delhi-based asbestos products manufacturer decided to wield the scalpel and cut costs. Executives were told to travel only when they had to. And when they went out of town, they often had to return the same day. What's more, entertainment allowances were trimmed, though company officials decline to say by how much.

At another level, attempts were made to cut wastage in the handling of cement, a basic raw material. And since sales become unattractive beyond a certain distance owing to freight costs, Everest earmarked what it called "economic rate zones" for each of its four factories. Beyond these zones, sales were a no-no.

Overly drastic action? Not quite. Especially since the market has still not changed for the Rs 103-crore concern's wares. If anything, Eternit Everest has had more reason for alarm. Sales have plunged by 20% in volume terms over the last year. And if profits haven't, it's because the management has resorted to some fancy fire-fighting. "It is an acid test for us. We have to march ahead," says Eternit Everest managing director P. Khurana.

Eternit Everest's major problem is the steadily rising excise on asbestos roofing sheets — its principal product

Excise duty hikes. The nub of Eternit Everest's problems is the steadily rising excise on a principal company product: asbestos roofing sheets. Over the past three years, the government jacked up the excise on sheets from 15% to 27.5%. Normally, this would not have been an insurmountable burden. But asbestos roofing sheets have a substitute — galvanised iron sheets, the duty on which has remained constant. As a result of the higher tax, asbestos sheets now cost more than galvanised sheets (see chart). This was not always the case. Two years ago, asbestos sheets were 25% cheaper. A sheet used to cost Rs 76.90, as against Rs 99.54 for galvanised iron sheets.

As a result, buyers shifted from asbestos to iron sheets. One bit of industry-level evidence: the production of pressure pipes made from asbestos slumped sharply from 1.22 lakh tonnes in 1989 to just 52,000 tonnes in 1991.

At Eternit Everest's level too, this trend was in evidence. The company managed to meet only 78% of last year's sales target of 2.10 lakh tonnes — around 20% less than in 1990-91.

"The demand for asbestos products is highly price-sensitive since it is bought by the poorest section," explains Khurana. Around 40% of asbestos goes into making house roofs. Adds the company's managing director: "After the last price increase of 23% in July 1991, demand slumped by almost 50%."

Yet, the problems of the Eteroutremer of Belgium and ACC-promoted concern are common to the asbestos products industry. Dominated by four manufacturers (Hyderabad Industries, Eternit Everest, Ramco Industries, Digvijay Cement) which together control nearly 75% of the market, the industry has not seen a single new plant being put up in the past 29 years. With environmental concerns dogging asbestos fibre, a key industry raw material, the Rs 750-crore industry is widely viewed overseas as a sunset business.

Slight relief. Domestic asbestos sheet manufacturers, however, worry more about the high tax. Following industry representations to the government, the import duty on asbestos fibre was brought down from 90% to 70%. "That's hardly a relief," laments another executive of the company.

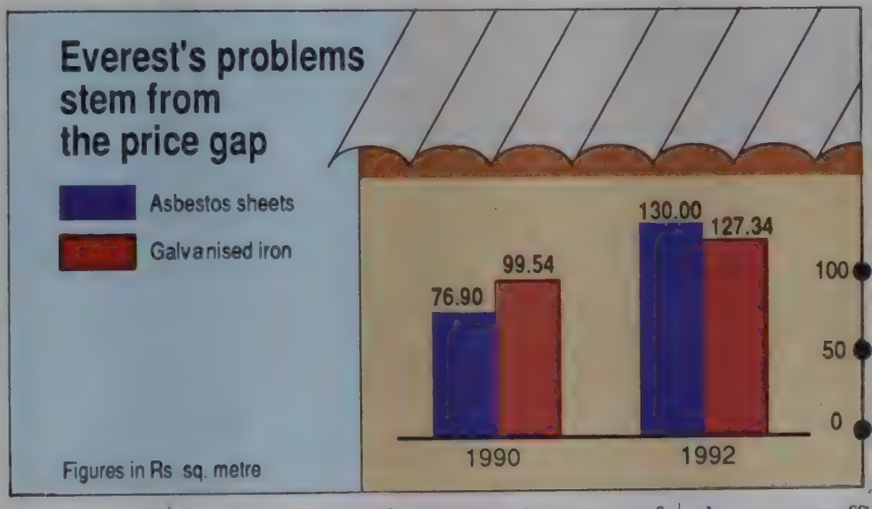
He's right. Asbestos fibre is only a minor raw material (it accounts for 30% of the price of downstream products); the relief doesn't neutralise the excise on sheets. And because it costs more to buy dollars in a dual exchange rate regime, the cost of importing fibre has gone up by around 4%. "The only consolation to us is that the government has acknowledged the industry's importance," says the source.

For all the bad news, Eternit Everest expects last year turnover to be on a par with 1990-91's Rs 103.03 crore. And it's confident of maintaining 1990-91's net profit of Rs 4.92 crore. "We do not expect a decline in profitability as we spent a lot of time in product improvement. We understand costs, and a lot of adjustment was done," says Khurana, referring to efforts to cut production time and costs.

What of the immediate future? Company sources expect sales to climb by around 25% this year. One reason: the recent official announcement that steel prices can be raised. Industrymen gleefully anticipate galvanised iron sheet prices going up.

Still, steel prices have yet to rise, thanks to a steel glut in the market. And even if they do, price increases won't be large enough to push prices of galvanised iron sheets much above those of asbestos sheets. So unless this position alters radically, margins could come under pressure in the coming years.

□ Shashi Shekhar



EXPORT DRIVE

At the south Delhi head office of the Eicher group, chairman Vikram Lal is, oddly, cautious. "We're not going into something without adequate research. I am willing to take risks — not a gamble," says he.

That's a curious sentiment for a chairman of a group that's embarking on a major expansion drive. The Rs 450-crore Eicher stable of tractors and light commercial vehicles (LCVs) is poised to introduce new models in the domestic market. What's more, the group is gearing up to export a new range of auto components and, strangely enough, garments, leather and mushrooms. Says Lal: "I'm looking for any prospect good for exports." Strikingly too, the group is hitting the takeover trail. According to company officials, alliances, mergers and takeovers lie on the group's horizons.

So why's the bespectacled chairman of the Eicher group striking a note of moderation? Well, for starters, the group's perspective plan drawn up in 1990 for the next five years has been quietly junked. Mandal-masjid, the Gulf war, the economic recession — Eicher executives suddenly found their strategies thrown out of gear as the two-wheeler and LCV markets collapsed. "Our perspective plan has now been thrown overboard," says Lal.

Eicher officials decline to reveal what precisely the perspective plan involved, but admit that the group set ambitious targets and that these have now been scaled down to what senior executives describe as more realistic levels. Exports, for instance, were slated to contribute as much as 25% of the group's total sales by 1995. Says group chief executive Subodh Bhargava: "We will be happy if we can achieve even one-tenth of that in the next couple of years."

Bhargava refuses to hazard a guess on sales figures five years down the road, but export numbers could be substantial: even a tenth of current turnover would be Rs 45 crore.

But if that brings up the image of a group gingerly testing the waters but too cautious to take the plunge, think again. In the domestic market, fresh models of tractors, LCVs and two-wheelers are to be launched over the next few years even as Eicher upgrades manufacturing facilities.

Major drawback. The reason for the push is simple: company executives realised that although it may be a market leader in its niches (small tractors and the 6-tonne LCV segment), Eicher really doesn't have much to offer buyers in other segments. Muses Lal: "Our major weakness is that we don't have sufficient width, not enough models." True enough. In the small tractor segment, for instance, Eicher Tractors accounts for a hefty 60% of the market-share. Take the entire market for tractors, however, and Eicher's share plummets to just 15%.



LAL: *Cash is no problem*

However, if the group has its way, it'll soon grab a larger chunk of the market, not just in tractors but also LCVs and two-wheelers. To plug the gaps in its range, Eicher Motors has already announced plans to take on Mahindra & Mahindra and Allwyn Nissan in the small LCV segment. Says Eicher Motors chief executive S. Sandilya: "We're exploring the possibility of new models in both heavier and smaller tonnages." Company officials are also keeping their fingers crossed about a compressed natural gas (CNG) small car project. At Eicher Tractors, executives are examining the prospects of moving into the large and medium horsepower (HP) segment.

Meanwhile, Enfield Motors, with whom the Eicher group has a strategic alliance (Eicher Tractors has a 30% stake in Enfield), is considering introducing new models. Points out Lal: "The largest demand in the two-wheeler segment is for 150cc scooters, 100cc motorcycles and 50cc mopeds. We have none of those."

With all this activity in the domestic market, why then is Eicher House buzzing with excitement about exports? In part, the sudden drive for exports is because group executives had read the writing on the wall long back. "The continuous devaluation of the rupee seemed to indicate that exports were bound to become a national necessity," says Bhargava. But there are other reasons too for Eicher's sally into exports. "Dealing with the overseas market is a good way to be quality-conscious," says Bhargava.



SACHDEV: *US link-up*

"Besides, exports guarantee more sustained growth unlike the Indian economy which is somewhat attuned to the monsoon. For us, exports are a sort of hedging for future growth."

With Eicher now actively sniffing for opportunities everywhere, parts of the group's grand strategy are falling into place. Merely trading in exports has been strictly ruled out after Eicher executives noted that merchant exporters were routinely bypassed by manufacturers once the product was established abroad. Instead, Eicher's chosen to invest in manufacturing units. Says Bhargava: "We are open to alliances, mergers, takeovers."

Eicher has already taken over a 100% export-oriented unit in Rajasthan — Toto Bubbuls — which specialises in manufacturing hand tools. Soon to come into the fold is the ailing Thane-based gear manufacturer Ramon & Demn, for which Eicher successfully outbid Telco and Ashok Leyland. Says a contented Bhargava: "With this, we now offer almost the entire range of machine components for exports." The key word here is exports. With Eicher strictly earmarking the output for exports, a clutch of enquiries from local companies has already been turned down.

Senior executives are equally upbeat about Eicher's foray into garment exports. The Rs 10-crore venture is being chalked out in collaboration with garment manufacturer Naresh Gujral, who's already partnered Eicher to launch Eicher Span Financial Services. The company, which offers the entire gamut of financial services, notched up disbursements of Rs 5 crore in the past eight months; the figure is slated to reach Rs 15 crore this year.

Eicher plans to oversee the manufacturing process in the new unit (says Bhargava: "There's room for a garment exporter who can deliver large volumes with consistent quality"), leaving the marketing to Gujral. Surprisingly, there are no jitters about diversifying into an entirely new area. "Just close your eyes and think of a sheet of steel as cloth," says Lal. "There are differences but the fundamentals are the same."

Other export proposals. Leather exports could soon follow, as could other projects in food-processing, aquaculture, perhaps, even marine containers. At Eicher Consultancy Services, director-in-charge Anil Sachdev says his unit is linking up with its US-based partner A.T. Kearney to jointly develop projects abroad. Says Bhargava: "We are examining at least half-a-dozen more proposals for exports. Two or three should materialise."

EICHER: EXPANSION TIME

Company (Turnover in Rs crore) For year ended 31 March 1992	What it does	What it's eyeing
Eicher Tractors (211)	Makes 24,30, 35 HP tractors	Medium & large HP models
Eicher Motors (138)	Produces 6-tonne Eicher-Mitsubishi Canter	Smaller LCVs, bigger models, CNG-cars
Enfield India (90)	Makes 350cc Bullet, 22cc Mofa, 50cc Explorer	150cc scooters, 100cc motorbikes, 50cc mopeds
Eicher Consultancy Services (1.7)	Consultancy services	Joint projects abroad with A.T. Kearney
Eicher Span Financial Services (0.45)	Financial services	Stepping up business
Exports	Exports tractors, components	Wide range of components, garments, leather, food processing

Obviously, the new projects will call for substantial infusion of funds. That's something the group has in plenty. Notes Lal: "Cash is not a problem." Adds Bhargava: "We are prepared to invest Rs 100 crore in two-three new export projects."

In the financial year ended 31 March 1992, cash-cow Eicher Tractors turned in a profit of Rs 15 crore, while reserves amounted to Rs 36 crore. Eicher Motors, although hit by the depression in the LCV market, ends the year with a slim profit of Rs 1 crore — which makes it the only LCV manufacturer with Japanese collaboration to stay out of the red. Even the fledgling Eicher Consultancy Services has notched up a profit of Rs 3 lakh.

Not that there are no blobs of red ink on the balance-sheets. The ambitious tieup with Enfield Motors (Eicher wanted to take advantage of Enfield's component manufacturing facility) is yet to yield dividends for Eicher. Enfield's net losses actually increased to Rs 7 crore last year, from Rs 2.5 crore in 1990-91. And despite efforts to cut the flab, and talk of new models, a turnaround doesn't really appear likely this year — a fact which Eicher appears to have accepted. Says Lal: "We are now looking at the two-wheeler market more realistically."



BHARGAVA: *Concentrating on exports*

Although Lal categorically dismisses any problems between the partners, the rest of the companies certainly have benefited from the shareholding pattern in the group. Lal and his family have a majority stake (76%) in the holding company Eicher Goodearth Ltd (EGL). EGL in turn has a 62% holding in Eicher Tractors; Eicher Tractors holds 28.5% of Eicher Motors' equity, where Mitsubishi Corp has a 15% stake. Smiles Bhargava: "We don't face the threat of a Swraj Paul."

Instead, as exports become the buzzword in the group, it just might be a feisty Eicher which hits the takeover trail.

□ Sujatha Shenoy

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EXPORT FORMULATION

It spent most of its 82 years of existence sedately chugging along, concentrating on ayurvedic products for a limited domestic market. But now, with ayurveda going places, the Rs 28 crore (1990-91) Zandu Pharmaceutical Works is moving into the fast lane. A major export push has commenced, company executives are jetting abroad to rope in partners for marketing tieups and a new plant is on the drawing board to cater solely to the overseas market.

"We envisage a tremendous demand in the years to come which we will find very difficult to meet," says vice-president D.M. Parikh. "We will soon have to set up a separate plant for export products." Adds chief executive (sales) Bhaskar G. Parikh: "The overseas market is still at the infancy stage. It has tremendous potential which has to be exploited."

Zandu has made a mark in the domestic ayurvedic market with five major brands — Zandu Pancharishta, Chyavanprash, Kesari Jeevan, Zandu Balm and Trishun. Says D.M. Parikh: "From the beginning we have been committed to the promotion of ayurveda."

Zandu was established in October 1910 by Jugatram Shankarprasad Vaidya. Mathurdas Bhaktidas Parikh soon joined hands with him and, in December 1919, the company was converted into a public limited one. For many decades, Zandu remained a very conservative outfit. It was only in the early eighties that it started gearing up and went in for large-scale advertising. Says D.M. Parikh: "The times are changing. We have to adapt ourselves and use modern marketing tools without which much of the new generation will be in the dark about our products."

Marketing is going to be particularly crucial in the export drive. While a tieup will obviously help, the company has already begun doing some homework. "Promotion in these countries (the company is going to focus on France, the Netherlands, the UK, the US, Japan, Malaysia and the Philippines) through advertisements is very expensive," says D.M. Parikh. "Indian cassettes are a good medium popular with Indians abroad and, at the same time, economical." The promotion programme also includes approaching healthcare centres directly.

Export targets have obviously been upped. In 1990-91, shipments from this country were a meagre Rs 31 lakh. But accounts manager V.P. Vidwans expects the 1992-93 export figure to be at least Rs 1 crore. And five years down the line, says Parikh, "it should be around Rs 5 crore." Adds Vidwans: "It is, however, very difficult to predict because the market is new and still has to get accustomed to ayurvedic medicines. It depends on the kind of response we get."

Good performance. At home, Zandu has carved out quite a niche for itself. It has over 250 products with the five major brands chipping in with 60% of the total turnover. In the product mix, 25 ethical brands contribute 15% to turnover, 50 main products (including the big five) 80% and the remaining 175 products only 5%.

So is there really sense in the numbers? Explains Bhaskar Parikh: "Though their contribution to turnover is very low, the 175 products include certain regionally-popular brands which we need to maintain marketshare."

The big five have a 15-25% share of their market. Says Vidwans: "There is no direct competition for any of our products. For instance, in the case of Chyavanprash there are other manufacturers too, but the formulation or method of preparation is different." Says Parikh: "Formerly we were into allopathy too. And this is our major advantage over other ayurvedic drug companies because we have the basic knowledge of the pharmaceutical market which is useful for the development of our herbal products. As far as quality and product development are concerned, we are the leaders in this market and are enjoying the fruits."

On the financial front, Zandu has been constantly turning in healthy bottomlines. There was a bit of a stagnation in 1990-91, when turnover went up only marginally to Rs 28.71 crore (Rs 26.06 crore in 1989-90) and profit after tax (PAT) registered a decline to Rs 2.13 crore (Rs 2.31 crore). But in the following six months to 30 September, turnover rose to Rs 14.41 crore (Rs 12.34 crore for the corresponding period in 1990). Gross profit galloped to Rs 1.55 crore (Rs 1.07 crore) and PAT was higher at Rs 84.87 lakh (Rs 64.72 lakh)



D.M. PARIKH: *Tremendous export potential*

In its future plans, Zandu intends to restrict itself to the pharmaceutical industry. Diversification into non-allied areas is a no-no. Says Vidwans: "Basically it has been Zandu's policy to promote ayurveda. Profits are only secondary."

But profits it has been making in good measure. The Rs 100 face value Zandu scrip is rubbing shoulders with the likes of ACC at a high Rs 7,000. Bulls believe in ayurveda too.

□ Chhaya Balachandran

BRIEFS

■ Tata Iron & Steel Co (**Tisco**) has been given permission to approach the overseas capital market to raise $100 million, says Tisco chairman Russi Mody. According to him, the company has received permission to mop up funds for its current modernisation and expansion of capacity.



MODY: *Tapping the overseas capital market*

■ National Thermal Power Corp (**NTPC**) is to receive a $1 billion (Rs 2,600 crore) loan from the World Bank. The latter has in principle agreed to a single loan which will have under it 12 projects totalling 10,000 mw with disbursements spread over four years under the "timeslice" concept.

■ The **Flex** group, market leaders in flexible packaging, is setting up Flex Foods, an export-oriented unit (EOU) to manufacture 200 tonnes a year of freeze-dried vegetables and fruits and cultivate button mushrooms.

■ An estimated Rs 600 crore is expected to be spent by Hindustan Organic Chemicals (**HOC**) as part of its expansion-cum-diversification plans. This includes the setting up of plants with capacities of 15,000 tonnes per annum (tpa) of nitrobenzene, 12,500 tpa of aniline and 1,000 tpa of hydrogen.

■ The Housing & Urban Development Corp (**Hudco**) is undertaking a programme to manufacture bricks using flyash from thermal power projects. Already two such projects have been sanctioned in Bandel (West Bengal) and Ahmedabad, with three more similar projects in various stages of finalisation.

■ A joint venture between the Centre for Development of Telematics (**C-DoT**) and Russia to manufacture C-DoT-developed switching systems will soon be set up, says C-DoT executive director B.D. Pradhan.

■ **Atlas Copco India,** a subsidiary of the Swedish company Atlas Copco, has been entrusted with the task of supplying and commissioning drilling and mining equipment at the Konkan railway project site. The order is valued at Rs 24 crore.

■ Stellar Exports Ltd (**SEL**), a merchant export company, has recently concluded a joint venture agreement with German-based Mediziniche Feedback Cerate under which the latter will invest DM 300,000 (Rs 47.31 lakh) in the company and help market its products in Europe. SEL has already exported pharmaceuticals and intermediaries to Germany, Mexico and Kenya.

■ A new company, **Daurala Organics**, is being set up by DCM Shriram Industries to manufacture phenyl glycine hydrochloride, a drug intermediate. Commercial production will commence by the end of this year.

■ The first phase of modernisation of Phillips Carbon Black Ltd (**PCBL**) has been completed on time and without any cost overrun, according to PCBL chairman Sanjiv Goenka. He says the Rs 20-crore modernisation should strengthen PCBL's No 1 position in the industry and help it improve quality, introduce newer grades of carbon black and maximise energy conservation.

GOENKA: *On schedule*



■ Coal India Ltd's (**CIL's**) a ppeal to the World Bank for a Rs 300 crore loan for its Sonepur-Bazari project is being considered. The Bank had earlier withdrawn from the project because of a delay in land acquisition.

■ **Hindustan Ciba-Geigy's** unit at the Kandla free trade zone will be shut down with effect from 6 July. Set up in 1990 to develop exports to erstwhile Soviet Union, the unit's progress has continuously been on the decline, rendering it a commercially unviable business proposition.

■ Complaints have been reaching Gujarat State Fertilisers Co (**GSFC**) from the pesticides industry about its marketing practices with regard to cyclohexanone as they are hurting farmers' interests, says *The Economic Times*. Cyclohexanone, a broad-spectrum pesticide for crops, has been in short supply for actual users for several years now. But it is freely available in the open market, according to industry sources.

■ Bangalore-based **BPL Systems & Projects** has collaborated with France Telecom to take part in the department of telecommunication's cellular phones project. Two US-based companies — McCaw Cellular Communications and LCC Inc — are also likely to assist BPL in its current venture.

■ The country's leading exporter of iron ore pellets and concentrate, Kudremukh Iron Ore Co Ltd (**KIOCL**), will shortly set up a 50 mw captive power plant at Mangalore. With an estimated project cost of Rs 120 crore, the plant will generate around 40% of KIOCL's power requirements of 124 mw.

■ Reliance Industries Ltd (**RIL**) will soon set up a six-million-tonne oil refinery. The company's application is in the advanced stage of clearance, says RIL chairman Dhirubhai H. Ambani. He says the project's location will be decided by the government.

BRIEFS

AWARDED

■ The Bombay Management Association (BMA) has been awarded the **Best Local Management Association** prize by the All India Management Association (AIMA) for the third year in succession. The award was received by BMA president Ashok Sharma on 3 April. BMA has over 3,000 members from small-scale and large-scale industries.

■ TimTom Food Products, which manufactures syrups, squashes, fruit jams, pickles, tomato ketchup, soya syrup and pizza paste, has won the 15th **international award for food and beverages.** The award was presented in Barcelona, Spain, in March and was received by TimTom managing director Sarla Doshi.

■ B.R. Acharya, general manager of Canbank Mutual Fund, has bagged the **Shiromani award** for 1991. Over the past 15 years, Acharya has worked in various capacities in offshore departments and the merchant banking and investment wings of Canara Bank.

■ Bharat Fritz Werner, manufacturer of machine tools, has bagged the **PMT Trust** award for best design for its machine Horizontal Machining Centre TMC-400. Located at Bangalore, the company is a regular exporter of machine tools to various parts of the world including Germany, the UK and Singapore.

EVENTS

■ A business conference on **India: The Emerging Economy** is being organised at Kellogg University, Illinois, US, on 28 April. The participants include finance minister Manmohan Singh, Indian ambassador in the US Abid Hussain and industrialists S.K. Birla and Vijay Mallya. The conference is being sponsored by the J.L. Kellogg Graduate School of Management and the United Nations Development Programme (UNDP).

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FINOLEX PIPES LIMITED is India's largest manufacturer of rigid PVC pipes and fittings, ranging from 20 mm to 400 mm, conforming to Indian and International standards. These rigid PVC pipes and fittings, which are used in water supply, irrigation, plumbing, well casing and telecommunication conduits, are manufactured at a modern, automated plant at Chinchwad, Pune.

FINOLEX MACHINES LIMITED manufactures extrusion machines and allied equipment of world class standards, to fulfill the specialised needs of a growing market.

ROYLE EXTRUSION SYSTEMS LIMITED, a new joint venture between the Finolex Group and John Royle & Sons, USA, will manufacture fully engineered/integrated high speed thermoplastic wire insulating lines, piggy-back extruders for multi-layer extrusion systems, high temperature fluoropolymer extrusion lines, and other high-tech import substitution products.

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The picture is bright for Indian TV viewers.

NEW STARS

Doordarshan? Ho-hum. Cable television? Well, Star TV isn't bad but...

For India's 200-million-odd television viewers who've had to watch dreary stuff on the tube, such reactions are fairly common. The flip side



IRWIN: *Looking for an Indian alliance*

of this, however, is that quite some excitement's in store for them. As satellites cut across borders and undermine state-owned television monopolies, India's television market is up for grabs like never before. Indeed, a host of entrepreneurs is poised to offer viewers a sweeping variety of cable and satellite-linked programmes.

Tune in to some of the offerings:

■ In mid-April, the UK-based Asia Television Network (ATN) began beaming a six-hour channel via satellite. On view are international news, talk shows, Hindi films and programmes for children.

■ Starting June, the Bombay-based Plus Channel India (PCI) — producers of the monthly video magazine *Business Plus* — will introduce a one-hour daily Plus Channel on cable. Gung-ho about the idea are 5,000 cable operators all over the country who have already tied up with Plus Channel to telecast a variety of programmes through their own local networks.

■ In Delhi, PTI TV has floated a new company, Asianet, which is leasing a transponder on a Soviet satellite to beam Indian and foreign programmes. The price tag: $2 million annually.

Right on cue, the government is finalising plans to offer private enterprises a channel on Doordarshan (it also plans to regulate the mushrooming growth of cable). Says PCI managing director Amit Khanna: "What we are seeing is a movement towards an alternative to Doordarshan. This is the media of the future. And everyone is getting in."

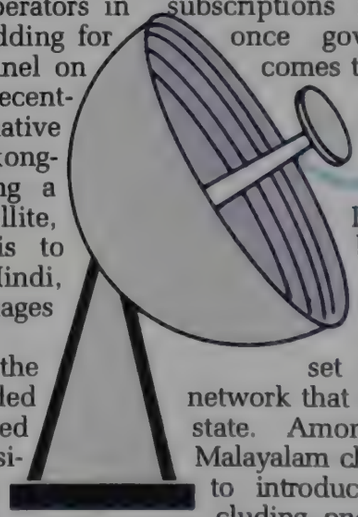
Not just moving in, but moving fast too. Times TV, a division of Bennett Coleman (the publishers of *The Times of India*), is furiously building up its own franchise of cable operators in Bombay and Delhi. It's bidding for the proposed private channel on Doordarshan. And, more recently, it submitted three alternative proposals to the Hongkong-based Star TV on leasing a transponder on its satellite, Asiasat. The gameplan is to beam programmes in Hindi, English and regional languages to Indian viewers.

However, the fate of the project is a closely guarded secret. Says a tight-lipped Henry Parwani, vice-president (international affairs) of Star TV: "We are actively negotiating with several parties." One such party is the Indian government, which recently displayed renewed interest.

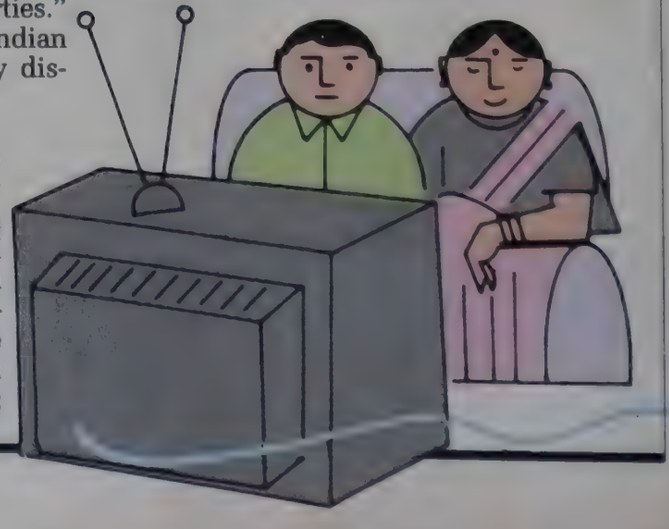
Luring advertisers. Meanwhile, ATN — a subsidiary of a non-resident Indian media company in the UK which has hired a transponder on a satellite — is selling time to anyone who wants to beam programmes. The price tag: Rs 60,000 for half an hour on the channel. Says ATN chairman Siddhartha Srivastava: "We already have 18 offers, including some from film producers who want to book time. I have already lined up software for 45 days." ATN has also tied up with the UK-based Sky TV — a popular news channel which plans to take on BBC in India — by helping Sky lure Indian advertisers.

Fighting to retain its initial advantage is Hutchvision Whampoa — which beams Star TV — with a plethora of attractive offers designed to woo Indian advertisers.

Hutchvision's global competitor, the Atlanta-based CNN International, is also strengthening its hold on India. A few months back it set up a news bureau in Delhi. In the works is a strategy to make cable operators pay for signals. What's more, local distributors are to be appointed to collect subscriptions from cable operators once government permission comes through.



Homegrown global hopeful PTI TV, meantime, has even more ambitious plans. It has set its sights on both cable and satellite. PTI TV recently tied up with the Kerala government to set up a cable franchise network that will blanket the entire state. Among its highlights: a Malayalam channel. PTI TV expects to introduce eight channels, including one beamed by the



As satellites cut across borders, entrepreneurs are rushing to offer viewers a wide variety of programmes — and rake in the moolah

Russian satellite Says PTI TV joint general manager Sashi Kumar: "We are working on different strategies — whether to make the satellite programmes a pay channel or merely depend on advertising. We are also looking at the potential of our programmes in Africa and the Gulf."

PTI TV plans to produce its own programmes and also source them from other Indian and foreign companies. Negotiations are already on with many foreign companies on time for live news programmes on a revenue-sharing basis.

Even film video rights owners are jostling for a piece of the action. Six companies — among them Angel Video and Time Video — which control nearly 80% of the cable rights to Hindi films, have formed a consortium, Cable Video, to woo advertisers more effectively. Cable Video distributes film cassettes to as many as 5,000 cable operators throughout the country. Says Gaurav Dalmia, director of Showtime Communications, the consortium's marketing wing: "We take a yearly subscription of only Rs 1,200-1,500 for which the operator gets legal software."

Certainly, it is the prospect of growing advertising revenue that is prodding a whole host of companies to spread the cable gospel. Look at the figures: the country already has about 1.5 million households hooked to cable. According to a market survey conducted by Admar, the Tara Sinha market survey company, cable television penetrates as much as 23% of Bombay's and about 6.5% of Delhi's households amongst families with a monthly salary of more than Rs 1,500.

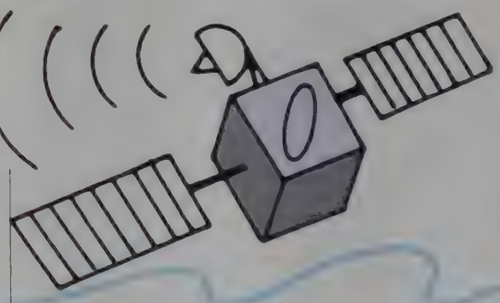
Lucrative opportunity. For advertisers, that is a lucrative cost-effective advertising opportunity. Points out Trikaya Grey media director Lynn D'Souza: "Today, cable attracts about Rs 5 crore advertising, mostly on an experimental basis. But soon it will become part and parcel of a company's media plan. It is happening with my own clients."

Aware of the immense potential, the new media barons are now busy formulating innovative ways to woo advertisers. Plus Channel (see also p.135), for instance, is looking at local advertisers who do not have cash for more expensive media. Explains Khanna: "We are looking at the local grocery shop, the local doctor. The potential of the neighbourhood advertiser is as high as Rs 1,000 crore." Of course Plus Channel is roping in local cable operators to attract advertisers on a revenue-sharing basis.

Others are seducing companies with attractive rates. Showtime, for instance, offers time for an entire month at a modest Rs 4 lakh for a one-minute slot each day. That's cheap compared to Doordarshan's rate of Rs 1 lakh for 10 seconds. Dalmia claims with pride that Showtime has already roped in 35 companies, including Nestle and Johnson & Johnson, on a regular basis.

New kid on the block ATN is throwing in six minutes free advertising time for every half-an-hour of programme time; the revenue is being shared by the company and the person or concern who buys satellite time. So far, Sahara India has bought time on ATN for an hour everyday. So has ITV, the Dalmia-promoted company. ATN expects to generate at least Rs 3 lakh in advertising revenue on every half-an-hour slot.

Times TV has opted to focus on niche marketing. It is planning to lure advertisers who want to target their products at clearly defined segments



THE GREAT CABLE TV RUSH

ASIAN TELEVISION NETWORK
Plans of beaming six-hourly (primarily Hindi) entertainment programmes through satellite from April 1992.

I.V. COMMUNICATIONS
Is setting up large cable networks. Will introduce its own channel, initially for three hours, with a range of programmes.

TIMES TV
The Bennett Coleman offshoot has bid for Doordarshan's proposed private channel. Was negotiating with the Hong Kong-based Hutchinson Whampoa about leasing a satellite transponder to beam Hindi and regional entertainment programmes. But the talks seem to have broken down. Is setting up large cable network franchises.

PLUS CHANNEL
Has tied up with 15,000 cable operations who will show one-hour programmes produced or sourced by the company.

STAR TV
Aggressively wooing Indian companies to advertise. Promoting programmes aimed at Indian advertisers.

CABLE MASTER
Tied up with 500 cable operators who show Hindi films provided by a consortium of companies that own cable rights to films. Plans to set up an exclusive film channel.

CNN
Opened a New Delhi bureau. Plans to make cable operators pay for the channel once the government regulates cable. Wooing Indian advertisers.

— for instance, children or working couples — an opportunity which is not provided by Doordarshan. Says Times Television director Pradeep Sarkar: "Our aim is to create different prime times and programmes for different groups of people — and get sharply focused advertising." (see *BW* 8-21 April p.10).

Not to be left behind, CNN is already sounding out companies in India. The CNN offer: a percentage of the bill can be paid in rupees. And guess who's cocking an eye at the offer? The government's department of tourism. Says CNN's head of international sales Mark Rudolph: "We hope to interest Indian advertisers in the attractive prospect of promoting their goods and services."

Star TV is one step ahead. Last year it organised seminars for cable operators and advertisers in the country. This year it topped that up with an advertising blitz to promote the World Cup and special Michael Jackson programmes. It has also appointed the Bombay-based Primetime Video Communications as its agents for selling ad time on Star. The response: companies like Ceat Tyres, Pepsi and Citibank have kicked off advertising on Star. Says Primetime executive director Rathnakar Rai: "At the moment only innovative companies are advertising on Star. But now we are offering even a rupee rate. That should encourage a lot of advertisers."

Wooing advertisers, however, makes sense only when cable companies have a large viewership base for their channels. In a shrewd move, the Delhi-based IV Communications (IVC), recently launched by the National Institute for Information Technology (NIIT), has opted to do that by controlling large cable networks before it gets cracking on its three-hour IVC Channel. Says IVC associate vice-president Asish Bagga: "We can go in for space marketing only when we have a reasonable viewership. We hope to attract around Rs 2.5 crore advertising revenue in the first year."

Some Indian companies have already started advertising on Star TV. More may follow suit

Untapped potential. To achieve that, IVC is setting up its own cable franchised networks, each covering around a thousand odd households — especially in smaller towns like Agra and Lucknow where the cable potential is still untapped. The company will provide franchisees with standardised equipment and software for programmes, apart from after-sales service. It is also scouting for a foreign collaborator who can provide the technology to build up large networks. And IVC also plans to source and produce its own software which it will distribute to some 4,000 cable operators for the three-hour IVC Channel.



SRIVASTAVA: *Dishing out a mixed fare*

It's smooth sailing all the way for cable operators. ATN, for instance, is helping cable operators buy a second dish antenna which will be used exclusively for the network's programmes. It has tied up with a host of leasing companies which will provide the cash to buy dishes on instalments. At the same time, it's given bulk orders to dish manufacturers for supplying antennas so that cable operators can get a volume discount.

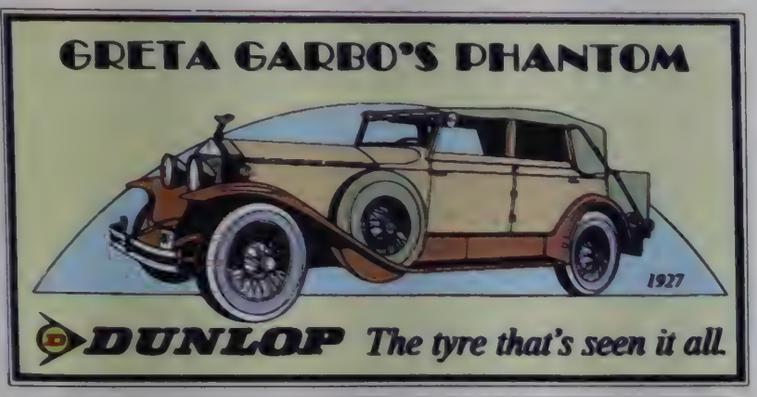
But beaming programmes is just one aspect of the show. The other is ensuring enough software programmes to keep channels going. For companies, that means either sourcing programmes from abroad or producing them on their own.

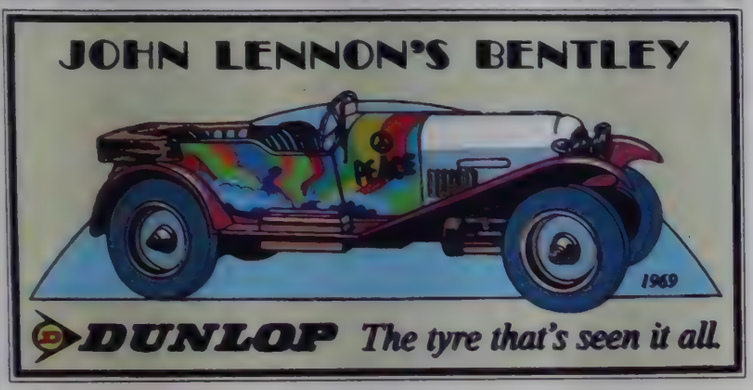
Smelling an opportunity, BBC for instance, is negotiating with a bevy of companies to sell programmes to Indian audiences. It has offered to produce international news in regional Indian languages and create programmes tailor-made for Asian audiences. Says BBC World Service Television chief executive Christopher Irwin, who recently visited India: "We are looking for an alliance in India to tap new opportunities."

BBC is not the only one. The Bombay-based Esselworld, which runs a clutch of amusement parks, has plans to develop software aimed at children. And Times TV is looking at the international market for its software needs, apart from producing programmes itself. It has tied up with Canal of France and is the French company's sole concessionaire for cable and satellite rights in the country. Times TV is also negotiating with the US-based Paramount Pictures and Time Warner for buying programmes.

That doesn't really make for a comforting picture for Doordarshan. For viewers, however, the promise of cable vision could mean an end to the hours of ho, hum, yawn. And in could come a whole new generation of television addicts.

□ Surajeet Dasgupta





A VINTAGE APPEAL

A new sight is greeting city-slickers these days. A set of hoarding sites has cropped up in some metros displaying reproductions of six cars of varying vintage. The vehicles are not just your backyard type antique cars: each of them in their prime carted around important personalities. And there are indeed some big names involved here: Henry Ford's Racer (1901); the Maharaja of Mysore's Touring Coach (1911); Clark Gable's Custom Convertible (1926); Greta Garbo's Phantom (1927); Mussolini's Alfa Romeo (1937) and John Lennon's Bentley (1969).

So what's the big deal about all this? When you get to the slugline on the hoarding, everything begins to unravel. It reads: 'Dunlop. The tyre that's seen it all.' Does that mean that these VVIPs rode Dunlop? Clarifies Trikaya Grey (the agency handling the hoarding campaign) general manager Nirvik Singh: "It's not that these people did actually use Dunlop tyres; one doesn't really know, but all that we are trying to do is create an ethos of the times."

Adds Dunlop India group ad manager Suresh Subramanyan: "It is effective use of hoardings with a high interest subject and is totally in consonance with our line of business."

Dunlop's marketers are keeping their fingers crossed, fervently hoping that the campaign will do something for the company's image. Well, in troubled times, even that can be quite a morale booster.

NEVER-SAY-DIE APPROACH

The Godrej group is consolidating its position in the hair dye market with great verve. A new liquid hair dye called Verve, that is. But why now, when it already has a dye in the market under the Godrej brandname? Says Godrej soaps vice-president (marketing) Hoshedar K. Press: "It's a bid to safeguard our marketshare. There are rumours that foreign brands are coming in." And Verve has been positioned for the premium segment, where the competition is likely to put up camp.

Godrej has substantial stakes in the guesstimated Rs 50 crore hair dye market. Says Press: "We have a 55% marketshare for our mainstay brand — Godrej hair dye. Our main competitor is JK Helene Curtis, which holds 20-25%." But can one forget Nemaru Coiffure's Bigen brand which is being given a renewed push? Press believes he can. Says he: "They are marginal players in the liquid hair dye segment."

To be ready to take on the expected big 'uns, Godrej's Verve is currently being test-marketed in Bombay and Delhi. Says Press: "It will go national within a few months." And what are the special qualities it has to take on the competition? "It has a unique built-in conditioner and spreads quickly." Besides, Verve comes in two variants — natural black and black brown — and costs Rs 55 for a 40 ml pack. Apart from hair, the Verve ads promise to "add colour to your life."

Another brand from the Godrej stable which is being given a new push is its Fresca soap. Fresca has been relaunched in a bid to "bridge the gap between popular soaps and premium ones," says Press. In its earlier avatar, the soap failed to make much headway, bagging only some 3-4% of the market. The new Fresca (the price has been maintained) comes in a snazzy wrapper and two new variants — Cream and Cool. Press is hopeful that it will steal some cream from its rivals.

A SCREAMING SUCCESS?

Every ice cream maker likes to hear his customer screaming for more. And Cadbury India, the manufacturer of Dollops, is no different. Following up on last year's 'Choco-mania' promotion (which effectively squashed whatever ambitions Nestle had on the chocolate market), the company has kicked off a massive new ice cream promotion



campaign — Ice Ice Scream — from 21 March (closing date: 7 May) onwards. Ice Ice Scream is being run not only in Dollops' 45 Lopstops (of which 17 are in Bombay), but in over 4,000 outlets in some 65 cities.

In brief, the scheme works like this. Every Dollops product purchased gets the consumer a certain number of points — starting from two points for a scoop to 12 on the purchase of a party pack. These points, when added up, can be exchanged (at some 275 collection centres) for any of the 12 giveaways that Cadbury is providing. The gifts are as much a scream as the Choco-mania ones: they range from a Dennis the Menace poster (4 points), to a floating glass (30 points) to disappearing ink (24 points) to a crazy sipper (20 points), among others.

With this scheme Dollops, the No 3 ice cream player (with an 18% marketshare), is not only hoping "to notch up incremental sales but, more importantly, increase its user base by increasing the number of trials," says a company spokesperson.

The promotion is expected to set Cadbury back by some Rs 50 lakh on media costs alone — it is even advertising on the national TV network in keeping with its being "the largest national ice cream company." ("Milkfood is only strong in the north and west, Vadilal in the west, Kwality is a group concern and so on," says the spokesperson.)

Moreover, the company is confident the promotion will not get the Monopolies & Restrictive Trade Practices Commission breathing down its neck. "What the commission takes objection to are contests that are games of chance, ones in which there is no skill involved, where the winners are determined by a draw of lots. Even ones where slogans have to be written are okay, because there is some skill involved," says the spokesperson.

But that is not all that's happening on the Dollops front. Next on the list is the introduction of some new Dollops' Lopbars — ice cream bars without sticks (eg the 5 Star Lopbar). Most of the new ones to be launched "will be a further extension of brandnames already in existence like Fruit & Nut, Crackle etc." Will that get the market crackling?

A FIRST STEP

The young Indian mother is increasingly being wooed these days by a number of products targeted at her or her newborn. Two new ones to take the same steps are a magazine called



Young Mother and 1st Step, a natural massage baby oil, which will be grappling for shelfspace with Johnson & Johnson (J&J), Dabur and Wipro Babysoft.

First the magazine. Brought out by Transelektra Domestic Products Ltd, (the maker of mosquito repellant GoodKnight and Snuggy diapers), *Young Mother* will cover a range of topics including pregnancy and birth, baby care, paediatric advice and marital relationships, apart from other issues related to parenting. Readers will also be invited to share their experiences, their problems and how they coped with them.

Says *Young Mother's* editor-in-chief Shola Rajachandran: "With nuclear families becoming the norm and more and more women opting for careers, parenthood is becoming an even more challenging task. This is our way of trying to help them meet that challenge." Planned to hit the stands once a month, *Young Mother* is priced at Rs 15 per issue.

The other product — 1st Step baby oil — was launched by Recon Enterprises, a company promoted by cooking oil maker Raj Oil Mills, in Andhra Pradesh in December last year. From there, it has spread to Karnataka and Maharashtra recently, and Raj Oil marketers are expecting to take the brand national within the next six months.

"1st Step is the first aloe-based skin care product for babies in India. *Aloe vera* is a herb which has special properties and is safe for a baby's skin," says Recon Enterprises chief executive Iqbal Ahmed. The price-tag: Rs 48.20 for 120 ml. "Our target is the middle-income (Rs 2,000-plus salary) group," says Ahmed adding that both the price and natural base sets 1st Step apart from the other leading baby oils.

He explains that while J&J's baby oil is mineral- and petroleum-based, Keo Karpin's is an ethical product, (that is, it requires a doctor's prescription) and Dabur's product is geared more towards the rural market.

Will 1st Step step it up?





DESIGNER FANS

Polar International president Hardeep Singh had one major grouse: ceiling fans dangling in homes are terribly drab and boring. Nonetheless, where others would have just sat back and grumbled, he decided to take some action and drew up some real colourful plans for ceiling fans. Thus has emerged a new range of trendy designer fans nametagged Cool Cats, priced at approximately Rs 1,150 a piece, from the Polar stable.

However, the launch was not an overnight affair; a fair amount of research went into it. Says Singh: "Market research showed us that in the Rs 10,000-plus monthly income bracket, at least Rs 1.5 lakh is spent on a child's room with 82% having airconditioners. With the exception of the fan, everything is snazzy about the rooms. So we decided to do something about this low-interest item."

Cool Cats are targeted at cool kids up to 8 years of age; the pre-teens aged between 8 and 14 years and finally the teens and the likeminded (meaning those between 15 and 30 years). The fans will be available in Bombay, Calcutta, Delhi, Bangalore and Madras.

And the company has roped in Sharon Prabhakar to do her boogieing in a promotional home video to be used for direct marketing. (She maintains that the new Polar range is her collection in the video.) "Being very exclusive, we shall be promoting the product through speciality shops like Benzer, Akbarally's etc, some toy shops, maybe a boutique or two and our team of sales girls who will go from door to door," explains Singh.

The gambit should help Polar in more ways than one. First, in terms of sales. Going by statistics of the buying power that young Indians have been displaying, the company hopes to sell around 1 lakh fans in the first year. Secondly, Polar, despite having a decent marketshare among organised sector manufacturers, is considered a company catering to the middle class. An upmarket product should go a long way in elevating the company's overall image. Will it be breezy going? If Polar's fans find fans then it undoubtedly will.

A REGULAR PEST

Pests are under attack again. Only this time it's bed bugs which are coming in for some flak. And that too from veteran pest fighter Bayer India, which has added yet another product to its already existing list — Bilfol 20. An insect poison, Bilfol 20 has been specifically positioned against bed bugs and claims to have deep penetrating properties which allow it to weed out mites hiding in the teeniest of crannies in mattresses, pillows etc.

Available nationally, the insecticide, made from phenetrothion, comes in 50 ml tins and is priced at Rs 18.50. Citing the reason for this tack, M.S.A.Kumar, general manager (marketing — consumer products/VT-Hygiene) of Bayer India, says: "Our product, is targeted at the lower-income-group homes where the incidence of bed bugs is high. Thus, keeping in mind their financial position, we have made this product available in only one size."

Not that users will have to utilise all the 50ml at one go to get rid of the bugs. Bilfol 20 comes in concentrated form and on dilution in kerosene gives about a litre of bug-killing fluid. This has then to be sprayed with a handpump.

But, in a market which is currently being invaded by aerosol sprays, is it wise to go the handpump set way? Kumar thinks so. Says he: "Though the market — Rs 35 crore in the entire hand pump spray area — is not very sizeable, it is still relatively steady and will continue to co-exist with aerosols." Now, that news should really bug bed bugs.



DARTING AHEAD

The problems plaguing Clarion have benefited another agency — small-time Bombay-based Dart Advertising. The Kanchan Datta-run outfit has pocketed two accounts — Tomco's Ria and Moti soaps — which were earlier with the Calcutta-headquartered Clarion. The account size: around Rs 2 crore.

Apart from just acquiring the new accounts Dart is also on an acquisition spree on another front: it is head-hunting for senior professionals. Will it strike lucky here too?

▲ DECCAN HERALD
▲ PRAJAVANI
△ SUDHA
▲ MAYURA

SUDHA &
DECCAN HERALD GRO

In magazines filled with most thought-provoking 18,99,000 readers.

Magazine readers all over Karnataka reach for two Kannada magazines: Sudha and Mayura. The recent National Readership Survey (NRS-IV) has revealed that together, they are a formidable combination.

Thought — Provoking Facts

Sudha is the most popular Kannada family magazine. Its engrossing features and fiction make it a favourite weekly. In addition to picture-stories of general interest, Sudha also provides insight into political, social and cultural issues. Interesting coverage of science, sports, humour-articles, fashion and beauty-care makes Sudha the complete family magazine. And Mayura, a monthly, is a handy pocket digest of detective-stories, romance-serials, family-dramas and

MAYURA
UP OF PUBLICATIONS



stories and features, the feature is the figure of

humour-articles. It also has translations from the largest-selling features of Indian and international writers. That's why 18,99,000 readers lose themselves in the pages of Sudha and Mayura.

Thought — Provoking Figures

Together, Sudha and Mayura corner 74% of all Kannada magazine readers. The cost of reaching a thousand readers (cost per thousand or CPT), is a mere Rs.5.95. On the other hand, reaching the remaining 26% would mean a CPT of Rs.30.70. Undoubtedly, they're an economical choice.

Furthermore, 52% of their readers belong to the up-market, socio-economic classes. 80% of them have a monthly household income exceeding Rs.1,000.

Thought — Provoking Move

So, if you wish to reach the vast Kannada magazine reading universe, reach for Sudha and Mayura. It will be the most thoughtful move on your part.

JKHC'S PREMIUM AMBITIONS

It's made a splash with its Park Avenue men's toiletries range. But Bombay-based JK Helene Curtis (JKHC) has developed premium ambitions lately. It is now getting ready for a splurge of marketing activity. Consider the busy agenda it has drawn up for the coming year:

■ All set for a launch — in a bid to hook a new group of males — is a range of toiletries, which includes styling gel, coconut shampoo, talcum powder, after-shave lotion and perfume under the brandname Premium. Premium will take Park Avenue head on in the marketplace. Says JKHC executive director Nanu N. Mehta: "We are simply adding to our spectrum in order to create a new market. Yes, there might be a shift from Park Avenue to Premium, but the main point is that demand is yet to be met." Apart from Park Avenue, Premium will also have to contend with J.L. Morison (Nivea for men) and Colfax Labs (Blue Stratos), two companies which are turning quite macho in the men's toiletries market.

■ The Rs 12 crore turnover company is also doing its bit to bowl maidens over. And it's donning more than just a dash of rouge, eyeliner, mascara, lipstick or perfume to charm the ladies. On the company's dressing table is a whole range of cosmetics, also to be introduced (six months down the line) under the Premium brandname. Says an effervescent Mehta: "Lipsticks, nail polishes, eyeshadows, rouge... the works. We will be covering the entire range of ladies' cosmetics."

■ JKHC is also looking to kickstart sales of some of its existing moolah-raking brands: Park Avenue (accounting for 30-35% of turnover), Tiara shampoo and Tru-Tone hair dye. In contrast, Monarch, (after-shave lotion, shaving cream and cologne), which was once a big winner for the company but subsequently lost its crown, is going to receive reduced support.

■ The management is planning to go the whole hog in beefing up its distribution network, which today covers some 1 lakh-plus retail outlets. Its marketing team is also going to receive a facelift.

New adwave. With so many new launches planned, JKHC will need to have the right kind of ad props to ensure that things pan out. Thus, it is going to zing the media with a new wave of advertising. It has upped its adspend budget by more than three times to Rs 1 crore this year but then it hopes turnover will touch Rs 30 crore in 1992-93. Says Mehta: "It has been a principle with the JK group that each of its companies must generate its own ad budget. Till now our budget has been rather limited. But we are very confident about our new Premium range and will pull out all the stops for its launch."





MEHTA (INSET) & THE J.K. HELENE CURTIS RANGE: *Going all out*

Part of that push will be harping on the quality aspect of Premium. Says Mehta: "We will concentrate more on product attributes. We will offer more shades, more choices, a better finish like, for instance, a more glossy or pearly effect, more sophisticated packaging..."

He'll need all that dazzle. For, Lakme today has a bewitching hold on the organised sector ladies' cosmetics segment. And Tips & Toes which has been haring for a piece of that turf has got even more aggressive in recent times. It has widened its product range to include face powder compacts (five shades), blush-ons (four shades), black eyeliners and four coloured eye definers (kohl), and a zero-dryness lotion. These are at present available in select markets in the north and west. By next month, Tips & Toes will also be introducing five shades of liquid foundation.

In fact, the JKHC entry hasn't got Tips & Toes director B. D. Topiwala worried in the least. Says he: "This is a growing market. I don't think JKHC's entry will affect us adversely. Let them come, then we'll see what more is to be done."

Even Mehta is in a bullish mood. There is, he feels, a tremendous market for good cosmetics among Indian women which is not being met, since the market in India is dominated by the unorganised sector which does not produce quality products. "We have not even touched the fringe as yet," he says. "Like with all other consumer items, there has been a great demand upsurge in recent times in this area too. And we hope to meet this need."

If they do, and if things go as planned, JKHC's balance-sheet will also acquire a beauty and gloss of its own.

□ Meenu Shekar

"OURS IS A PIONEERING ROLE"

You just can't put down Pheroze Engineer for too long. A couple of years ago, the Real Value Appliances chairman & managing director set the stagnating fire extinguisher market on fire with a portable easy-to-use product called Ceasefire. Using a canny mix of direct selling and loud advertising, he made his product a success, and jolted the existing majors in the fire extinguisher business wide awake. Then, all of a sudden, last year he retreated into the shadows.

Now Engineer is back on the road again and all set to engineer another fiery performance. "I haven't made any noise for some time. But the fun is about to start. I'm moving upwards with larger-sized extinguishers," he chuckles.

There are other tricks up his sleeve too: for instance, diversifying into other areas and taking his company public. The ex-Universal Luggage-chief-turned-firefighter spoke to BusinessWorld's *Anil Wanvari on his plans. Excerpts:*



■ On why he took the direct selling route for Ceasefire in the first place and whether he's likely to continue with that.

A fire extinguisher needs that kind of push. Sales wouldn't have come through just retailing. Advertising principles allow only one message — what you call the unique selling proposition (USP) — to be beamed through. With direct selling, you can educate the consumer, giving him/her a load of information relating to a product. By launching a portable, easy-to-use fire extinguisher, we were trying to change a system which had been in existence for some 90 years or so. And that would require a lot of education.

However, that phase is over now. Several people have bought the new extinguishers — ours and the suddenly-awakened competition's — and word-of-mouth is bound to bring about a snowballing effect on sales. So we have decided to go the retail route too, in addition to direct selling to residences and offices.

■ On whether his strategies have succeeded.

Of course they have. In fact, phenomenally. We haven't eaten into existing markets; rather we've expanded them. Ours has been a pioneering role. Look at the number of people who followed us into the market. Those who didn't know much about selling this product ended up being marginal players and then just faded out. But we've sold some 6 lakh units. Our turnover this year was Rs 4-5 crore (eight-month period). And we command some 60-65% of the segment.

■ On the new product introductions.

We are launching 1kg, 2kg, 5kg and 10kg fire extinguishers. And they will all be easy-to-use, attractive, convenient, and rightly-priced, unlike the ones available currently. These will, of course, be sold differently.

Then, last year, we raised the price of the Halon-based product (360ml) to Rs 496; a new one (not based on Halon) will be launched at the pre-hike price of Rs 396. We are also looking at a new exciting kitchenware product. Of course, we've been talking about electronic safes for a while and they're ready now.

■ On how Real Value will cope with all this marketing activity.

All the products won't be launched at one go; they'll be phased out. However, the idea is to split up the company into three divisions — kitchenware, safes and fire extinguishers — each with a profit centre head. Also, we've built up the infrastructure — we have some 40 branches in place now. Then we have some 600 of our direct selling force knocking at people's doors.

■ On whether he will stop using ozone-chomping Halon in Ceasefire.

I'm in the fire-protection business. And Halon is good for fighting fires. It leaves no residue behind. But a lot of controversy has been raised over this chemical. However, the fact is that only 30% of the Halon in a fire extinguisher escapes into the atmosphere; 70% is broken down into relatively safe byproducts while dousing the fire. Nonetheless, I will advocate the use of Halon-based Ceasefire extinguishers only in cases where no other replacement is available — say, in the case of electronic equipment which catches fire. And my newer fire extinguishers will use more environment-friendly chemicals, but they will leave a residue behind.

A clutch of new home computers hits the market.

HOMING IN, GRADUALLY

In schools across the country, thousands of pre-teens are being initiated into the intricacies of information technology. And, if you'll believe their proud parents, there's a fledgling computer whiz-kid in virtually every middle- and upper-class home. So, whatever happened to the home computer?

Nothing. The Dolphins and Spectrums promised to bring infotech into every Indian home, but never got so far as the front door.

For most part, they were much too expensive, too limited in scope, and poorly marketed, to boot. And the few entrepreneurs who tried a hand at selling home computers burnt their fingers in the process.

There's no question, however, that the home computer has enormous potential. And it should be easy pickings for whoever can come up with a cheap, versatile product — and back it up with some convincing hardsell.

Of course, these aren't the simplest of specifications. But there seems to be no dearth of triers. Unicorp launched its 'Sunny' at last year's Computer Society of India (CSI) exhibition. Kinetic Engineering has come out with the 'Kinetic Merlin,' a home computer that comes with a colour TV (or vice-versa, depending on your point of view). ICS is scheduled to hit the market with its yet untitled home computer later this year.

Even some of those who failed at the first attempt are gearing up to try again. Pune-based DeciBells Electronics, for instance, hopes its new product, the Bell Personal Computer (BPC), will do better than its earlier Spectrum. Says managing director Trilochan Singh: "We want to stay away from the normal PC rut, and create a niche for ourselves."

Hindustan Office Products (Hope), manufacturer of the Dolphin, hasn't given up hope, either. The company has sold only 2,500 of its BBC-micro-based machines so far, but director Amit Dutta Gupta believes: "That is just the tip of the iceberg... There is a tremendous latent market out there."



DUTTA GUPTA: *Hoping to tap a latent market*

Major hurdles. But he is the first to admit that tapping that market is no easy task. As Dutta Gupta sees it, there are two major hurdles: marketing and post-sales service. Both require large investments; the kind only large companies can afford. Trouble is, most of the players in the home computer business are small- and medium-sized outfits.

And the big computer companies are unwilling to put their money into a product range that cannot deliver high profit margins — they're having enough trouble breaking even on full-fledged PCs. Says Computer Point (Delhi unit) general manager Abraham George: "Home computer or high-end PC, the marketing effort is more or less the same. Given that the home computer is a low-margin, low-volume product, it makes better business sense to promote the larger machines." George says he gets only six orders a month for the Spectrum, priced at Rs 5,400, with a margin of Rs 300 apiece.

DeciBells' Singh knows that much of the BPC's future will hinge on the company's marketing thrust. To beef up efforts in this area, he has roped in the services of Shekhar Singhal, a marketing expert well-versed in the computer field. Singhal has taken over as the chief executive (marketing) of the company's home computer division.

Singhal's strategy for the BPC is significantly different from that of the Spectrum. For a start, the product isn't targeted exclusively at children — Dad can use it, too. "It is meant for low-end business applications and high-end home users," he says. In a sense, the BPC is being hawked as a cheap alternative to the notebook computer.

While the average notebook can set you back by at least Rs 1 lakh, the IBM-compatible BPC (with a single floppy drive) is priced at Rs 18,975 and comes in an attractive carrybag. At 3.5 kg, it weighs close to your typical notebook. Of course, it doesn't have a built-in monitor (your TV will do the job just as well) or a battery pack.

In order to chalk up the requisite

volumes, DeciBells is taking the time-tested dealer route. The dealer's margin, according to Singhal, will be in the region of 17% — around Rs 1,100 per machine sold. Says Singh: "That's pretty high, considering the fact that an average PC fetches a margin of about Rs 500-800." Dealers will also be trained to maintain the machines and provide after-sales services.

To help push the product, the company intends to send out mailers, run nation-wide print-media ads and, if the going is good, splurge on a TV campaign.

Plenty of competition. Singh and Singhal clearly have ambitious plans for the BPC. But they also have plenty of competition to contend with. The competing products vary in technical specifications, and their manufacturers may have different marketing strategies.

ICS chief Anil Malhotra, for example, hopes to capitalise on his company's long experience in training schoolchildren. ICS trains 1.50 lakh students at 150 schools in 100 towns every year. Says Malhotra: "The students we train are our potential buyers." The ICS machine may not be seen as a *desi* notebook, but its price tag (Rs 8,000) could be its greatest strength.

The Kinetic Merlin's price (Rs 24,000) may look pretty steep at first sight. But those who are prepared to pay Rs 18,000 for a top-of-the-line colour TV set probably won't grudge spending an extra Rs 6,000 for a built-in home computer.

Hope, with the upgraded versions of its Dolphin, will also be a strong competitor. The Delhi-based company took a close look at its product and the market conditions before designing the new range. Says Dutta Gupta: "The Dolphin was ideal for children between the ages of four and twelve — it had all the necessary components for that age-group, including word-processing, Logo, Basic, C, graphics and a filing system. But it was not suited for senior students." The machine was based on BBC Micro technology and couldn't, therefore, run most of the popular software packages that were designed for IBM-compatible PCs.

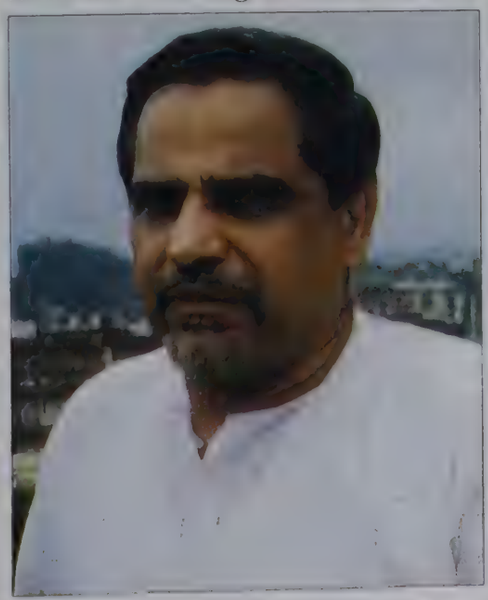
The upgraded Dolphin range of compact PCs (CPCs) comprises IBM-compatible machines that are priced Rs 17,000 upwards to Rs 29,000 for a PC-XT and Rs 35,000 for a PC-AT. The company claims its CPCs have all the pluses of a home computer and incorporate the key features of a PC. They are portable and rugged, use TV screens as monitors and don't need air-conditioned environs.



SINGH: *Carving a niche*

Hope's marketing masterplan for its new range is not yet clear, but the company is certainly not averse to innovative strategem. When the Dolphin was first launched, it started a large number of neighbourhood computer clubs (NCCs) around the country. The clubs served two purposes. Firstly, they provided the company with a forum where buyers could be trained to use their Dolphins. Second, they helped generate word-of-mouth publicity for the product, saving the company advertising costs.

MALHOTRA: *Focusing on school children*



But not for long. In time, the company came to learn that running the clubs could be pretty expensive. Says Dutta Gupta: "The NCCs required a lot of hand-holding. For instance, we had to constantly supply them with educational software."

The experience, however, should provide Hope with some insights that could come of use when it chalks out future marketing strategies. It certainly hasn't dimmed Dutta Gupta's optimism; he knows that the market for home computers is growing — and fast. "More and more parents, especially those belonging to the salaried middle class, are realising that it is necessary for their children to be computer-literate."

True. But they aren't rushing to the nearest computer retailer. And the reason is not too hard to find. For most middle-class homes, investing upwards of Rs 10,000 on a computer is unthinkable. The home computer comes very low down in the list of the average family's purchasing priorities. And while parents are beginning to appreciate its utility, they're not yet prepared to postpone the washing machine or the video cassette player in favour of the home computer.

□ Anita Kumar & Pradeep Kumar

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M.R. RAJKUMAR of TEAM MRF
- 10 Laps Race Motorcycles Group 'E' above 80cc upto 110cc.
- 10 Laps Motorcycles Group 'B' above 80cc upto 110cc.
- 3 Laps Motorcycles Group 'E' above 80cc upto 110cc.
- 3 Laps Motorcycles Group 'B' above 80cc upto 110cc.
- 3 Laps Motorcycles Group 'B' above 110cc upto 185cc.

SYED SUJATH of TEAM MRF
- 3 Short Laps Scooters Group 'B' above 110cc upto 160cc.

WINNERS IN THE 4 WHEELER CATEGORY:

N. LEELAKRISHNAN of TEAM MRF
- 15 Laps Cars Group 'F3'.

Declared Overall Grand Prix Winner, Cars

K.E. KUMAR of TEAM MRF
- 4 Laps Cars Group 'F3' (IND) 2 seater engine 1000cc.
- 10 Laps Cars Group 'F3' (IND) 2 seater engine 1000cc.

W. GOVIND RAJ of TEAM MRF
- Cars A (IND) above 800cc upto 1000cc.

J. ANAND of TEAM MRF
- 6 Laps Cars Group 'F3'.

P. VETRIVEL of TEAM MRF
- Cars Group 'F3' (IND) 2 seater engine 1000cc - 4 Laps.

NIKHIL TANEJA of TEAM MRF
- 3 Laps Cars Group 'A' (IND) above 700cc upto 1000cc.
- Group 'A' (IND) Cars 10 Laps Race.

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Banks are giving loans to PC buyers.

INTERESTING OFFERS

A few weeks before the budget, market rumours had it that Manmohan Singh would drastically slash duties on computers. The reasoning: New Delhi, realising that the use of information technology is the key to industrial growth, would have to make infotech products cheaper.

As it turned out, the finance minister just about managed to keep computer prices pegged at their pre-budget levels. That was good enough news for corporate buyers, but disappointing for all those who hoped to take a personal computer home this summer.

If you fit into the latter category, don't lose heart. The PC may be expensive, but it isn't entirely out of reach. Consult your friendly neighbourhood banker.

A number of banks (nationalised and otherwise) are willing to help you buy a computer — provided you're willing to shell out a decent interest. The South Indian Bank, for instance, has a special scheme for computers, targeted at self-employed professionals, like doctors, chartered accountants and architects. It offers Rs 50,000 at 14.5% interest on the reducing balance, to be paid back in 60 equal monthly instalments.

Until recently, the State Bank of India (SBI) had two separate computer loan schemes — one for PCs, and the other for PC XTs and ATs. Both were put on hold in October last when the Reserve Bank of India's (RBI's) credit policy forbade banks from giving loans for consumer durables. It can, of course, be argued that a PC is more than just a consumer durable. RBI obviously doesn't agree.

But wait; SBI general manager (planning) S.K. Sapru says there's good reason to believe that the schemes will soon be brought out of cold storage. Now that the general cash crunch has abated somewhat, Sapru is "hopeful of the schemes being revived in the very near future." Look out for a formal announcement in your daily newspaper.

While other nationalised banks may not boast schemes specifically designed for purchase of computers, some — like Canara Bank — do give loans under the general equipment category. Requests from professionals and the self-employed are often treated as special cases.

No less than six banks — Bank of India, Indian Bank, Indian Overseas Bank, Punjab National Bank, Syndicate Bank and ANZ Grindlays — tied up with ET&T a couple of years ago to push the much-touted "Cheap PC."



Given the state of the PC market, vendors will have to find new ways to hawk their machines

To be eligible for the loan, you must have a minimum monthly income of Rs 2,500 and fulfil certain other minor criteria. The scheme stipulates that the instalments, to be paid over a period of either three or five years, should not exceed 30% of your income. The initial payment (5-15%) is accompanied by a processing fee varying between 2% and 5% of the cost of the PC. After that, you are charged a flat interest of around 15-17% on the principal.

Needless to say, this credit instalment scheme hasn't elicited much response; the paperwork involved can put off even the most patient applicant. Besides, only certain designated branches of the six banks are authorised to handle the scheme.

Realising that it wasn't getting very far, ET&T has hit upon a new hire purchase scheme. Says ET&T director (finance & administration) S. Sundersan: "It began when a typist from Delhi University came to us, asking for a computer... he said his job was threatened because most doctoral students prefer to have their thesis reports processed on a computer!" The scheme became operational in December last, and has already fetched ET&T a number of orders. It is similar to the credit instalment scheme in terms of how much money you end up paying when the last instalment is taken care of, but is significantly different in one aspect: you can take your "Cheap PC" home in a day or two. No more delays.

Don't be surprised if other PC manufacturers announce similar schemes in the near future. Given the state of the PC market (according to the Manufacturers' Association for Information Technology, volumes actually fell, for the first time, last fiscal year), vendors will have to find new ways to hawk their machines. We can't give names right now, but reliable sources say one of the country's leading manufacturers is tying up with a foreign bank to launch a hire purchase scheme for low-end PCs.

Unless the market improves significantly over the next few months — and there's no reason to believe it will — other companies are bound to introduce 'buy now, pay later' deals.

Of course, the interest rates are unlikely to dip below 23-25% — no manufacturer is that desperate. But at least the burden will be spread out over a number of instalments. And look at the bright side: PC prices aren't likely to stay static forever. Once the computer industry gets back on the rails, manufacturers will be looking for every opportunity to raise prices. If you buy that PC now, you'll probably congratulate yourself for your foresight three years down the line.

□ Anita Kumar

Lotus ties up with ITC.

NEW DISTRIBUTOR

Tobacco giant ITC's software division has finally shed its low profile. And how! Last fortnight, the company announced that it would take over as the new distributor of Lotus Corp's product range in India, replacing software supremo Tata Consultancy Services (TCS). If you don't think that's a big deal, consider this: Lotus' 1-2-3 is probably the world's most popular spreadsheet package.



■ PADMANABHAN: *Fresh challenge*

So, why didn't Lotus continue with TCS? After all, the Tata company is the country's largest software outfit, with years of experience in selling packages. In comparison, ITC is still green behind its ears. Lotus' India country manager Ganesh Krishnamurthy says there were several reasons for the change. "TCS has its own packages, like EX, and many more are in the pipeline. Of late, its marketing efforts have been focused on its own products. Besides, several changes in the Indian economy have forced us to reconsider our operations here. We had to consider all options."

Despite the fact that ITC hasn't exactly been an outstanding success at selling packages (it distributes Unify), Krishnamurthy is optimistic about the new tieup and hopes to attain a growth rate of 300-400% year on year. He won't, however, be specific in terms of numbers.

Slashing prices. The main beneficiaries of the tieup will be spreadsheet users. If you've been wanting to buy legal Lotus 1-2-3 but found the price-tag too high, here's the good news: ITC has said it will soon bring down the price of the popular 1-2-3 Release 2.3 spreadsheet to Rs 13,000, as against the current Rs 21,000. And that, as ITC general manager (information systems) S. Padmanabhan points out, will make 1-2-3 cheaper in India than it is in the US, where the price is $495.



■ KRISHNAMURTHY: *Changing partners*

The same applies to other Lotus products. ITC vice-president (software products) A.K. Basu promises that the price of Lotus 1-2-3 Release 3.1 will be reduced from the current Rs 28,000 to Rs 16,000, which is again less than the US price of Rs 19,000. He won't, however, say how the company got the American giant to slash prices so drastically. "We just had to make a case for the Indian market."

Besides offering the products at lower prices, ITC also promises easy availability through a large dealer network. It will reproduce the products in India under licence from Lotus Corp in a phased manner. In addition, special prices will be offered to existing Lotus users. Says Basu: "ITC will extend special support to customers who wish to exploit the full power and potential of Lotus products, opening up a world of productivity to Indian users."

Besides the spreadsheet product 1-2-3, ITC will also market, among other products, Lotus' Windows-based word-processing product 'Ami Pro,' the graphics package 'Freelance' and the electronic mail package 'Lotus CC:Mail.'

Stex Software Corp is set to profit from...

PAPERLESS OFFICES

The "paperless office" is the information technology industry's eldorado. The quest for a work environment where the computer eliminates the use of paper is as old as the industry itself. Unfortunately, nobody has thus far been able to get there.

There are, however, a few offices in the US and Europe that have managed to attain a level of near paperlessness. And, according to a pair of Calcutta-based software developers, your company can do the same.

Tridib Roy Chowdhury and Bharat Gupta, who jointly run Stex Software Corp, have launched "DataScan," a new package that enables your PC to store a wide variety of images. The package is based on imaging technology, wherein documents are scanned into the computer as digitised images. These are indexed and stored in a master image-base and can be retrieved whenever required. Says Roy Chowdhury: "DataScan is the first product of its kind in the country." At Rs 60,000 for the single-user version, the package is quite a bargain; some of its imported competitors can cost as much as Rs 16 lakh.

Impressive clients. DataScan is targeted at offices that are burdened

with excessive paperwork. Although beta tests were completed only five months ago, Stex has already totted up an impressive list of clients — among them, ITC, the India International Scientific Documentation Centre, IIT (Kanpur) and the Indian Council of Medical Research.

Roy Chowdhury and Gupta have clearly come a long way from the time they quit their cushy jobs — with Micronet of the US and Brooke Bond, respectively — to venture out on their own. Setting up Stex involved a cost of Rs 12 lakh, 25% of which came from the pockets of the young professionals-turned-entrepreneurs, but it marked the culmination of a dream they first discussed as batchmates at school. Says Gupta: "We've always wanted to work as a team; in fact, we even pursued our studies with that in mind."

While Roy Chowdhury went to IIT (Kharagpur) and later studied computer sciences and artificial intelligence at the University of Maryland, Gupta qualified as a chartered accountant. No prizes for guessing who runs the business side of Stex and who's in charge of product development.

Their efforts are already beginning to pay off. Stex is expected to close the books on 1991-92 with revenues at Rs 12 lakh. And the duo is already gunning for market leadership.



CHOWDHURY & GUPTA (R): *Opening up new vistas*

Their ambition: to make Stex India's biggest software house in 10 years. Says Roy Chowdhury: "We're very quality- and service-conscious. And as long as we stay that way, nothing can go wrong."

Datapro's developed a corporate computer training programme.

A TAKE-HOME PACKAGE

There can be no doubt that computer training is well on its way to becoming a buyers' market. The fierce competition is forcing training companies to design innovative new schemes to keep the customers coming. And nowhere is this more apparent than in the corporate training segment of the business, once dominated by a handful of institutes.

Practically every other training company now offers a whole range of schemes for corporate clients. Want to make your executives more proficient on their PCs? You don't have to send them any place — computer-literacy can now be packaged and delivered at your office. Any number of training outfits will send teachers to clients' worksites.



NARULA: *Tuning in to customers' needs*

But Datapro Information Technology, one of the oldest innovators in the game, has added a new twist to this 'door-delivery' routine. The company plans to introduce training packages on audio and video cassettes, which can be used as on-site teaching aids by its corporate clients. Datapro director (technical) A.D. Narula says these will be ideal for executives who cannot attend formal training courses due to time constraints. "They will also be very useful for those who want to brush up on, or improve on, their knowledge," he adds.

More interesting. Narula doesn't think the absence of teachers will put users off. "It (learning from video/audio tapes) is far more interesting and informative than simply going through manuals."

For corporate clients, the purchase of the tapes would require a one-time investment on material that can be used again and again. The client ends up saving both money and time.

Says Narula: "A person may be knowledgeable about his area of work but, due to lack of time, might miss out on learning new things. The tapes will enable him to learn in the privacy of his cabin."

To make this support system more effective, Datapro also plans to introduce a hotline system; clients will be able to phone in and clarify their doubts even as they work on their computers — free of charge. "Of course if the problem is quite complicated and requires personal attention, some nominal amount will be charged," says Narula. Self-learning manuals will also be provided along with the audio and the video cassettes.

While the courses on audio cassettes, priced at Rs 1500-2000, will last approximately two hours, those on video cassettes (Rs 25,000 and more) could last as long as 15 to 20 hours, depending on the subjects. Datapro plans to launch some standard courses on the tapes, which can be bought off the shelf, but will also custom-design courses specific to clients' needs, if so required. Says Narula: "One of our greatest strengths is our ability to fine-tune customers' needs."

COMMUNICATING VIA MODEMS

A journalist working for a New York newspaper gets a late-evening story in Bombay, enters it into his personal computer (PC), returns to his hotel room, connects his PC to the telephone and transmits the story through the telephone line in a matter of seconds. The story will be received directly by the newspaper's main computers in New York, edited and processed in a matter of minutes, and is ready for printing. After all, pre-empting others is what makes a newspaper tick.

A sales person collects an order and enters it in a PC. The order is transmitted directly to the company's factory at another location, checked and processed, thus shortening the whole process.

How critical is it to establish such systems? Let's talk about one major benefit that users the world over are working towards.

Today, the technology gap between the West and India has decreased considerably. And it won't be long before international competition necessitates progress in this area — transmitting and sharing information over a wide area quickly and providing prompt response in terms of service, delivery etc.

In fact, computer links do more than reduce costs; they also affect the way you conduct business — your manufacturing process, inventory, delivery cycles etc. In due course, they will also affect how much business you do.

How does this communication take place? What does it entail? It essentially deals with being able to connect your PC to a remote computer, thus enabling communication with each other using standard communication lines.

In the simplest mode, suppose you wish to pass messages between your PC in Bombay and a single PC in Delhi, you can do this by connecting both PCs to telephone lines using modems. These modems help use a voice (telephone) line for data transmission. A good modem will cost Rs 10,000 to 15,000 and you will have to pay Rs 3,000 per annum to the Mahanagar Telephone Nigam Ltd (MTNL) for letting you connect each PC to a telephone line. The only other charge will be the standard STD rates for the time that you use the line. To transmit a 500-word page, it will actually take less than half a minute, the only thing being that the line should be clear.

This is okay as long as it is a one-to-one contact to transmit messages. But what happens if a hundred people are working simultaneously and many of them need to correspond regularly to numerous locations? Would each of them end up establishing direct links?



Obviously, it wouldn't be possible that so many PCs, modems and telephone lines can be used at the same time — not to mention the cost of transmission and the time wasted in dialling. This is where the concept of networking comes in.

Networks. CMC's Indonet is the only commercially-operational network currently used in India. If you subscribe to this network, you essentially define mail boxes for each user in all locations. Each message or every data is addressed to a specific mailbox or a set of mailboxes. All your messages get collected in a 'collection centre' at your office. Then, at optimal quantities or at a pre-fixed time, you transmit it to a collection centre at CMC through a modem. Here you only make one local call to transmit all messages to various locations. CMC collects messages from various subscribers, and at optimal quantities transmits them to various locations where they get locally redistributed.

The advantage in such networks is transmission takes place a thousand times faster than the speed of telephone lines via the satellite. Therefore, the cost of transmission is much lower, while the cost of basic infrastructure is shared among many users. However, messages only get switched manually and in batches, and this network links only the large centres in the country.

Suppose you wish to have a link between smaller centres and directly switch data across a very wide area. To be able to do so, the 'collection centre' at your offices needs to become part of the network in a real sense.

In this case, your system should be able to address, transmit, receive and reroute messages automatically. If this is possible, your remote location offices can link up with your systems in the large centres. These systems will act as local hosts and will be connected to the commercially available host systems. The host systems will be connected to each other via a satellite or other fast links and help automatic switching and routing of messages across the country, even between the smaller centres. Using such systems, it is in fact possible to connect computer-controlled product lines directly, reducing lead times.

This, in fact, is what has been attempted by the department of telecommunication's (DoT's) Inet, which might become operational shortly. The damper, however, is that all lines offered by DoT in phase I have already been fully subscribed. Phase II is scheduled to start less than a year from now.

Apart from these networks, there are a range of private networks like Sailnet, Banknet and ONGCNET. And of course, there are the Railnet and airline networks which are already on line. But it won't be long before such swiftness in information sharing becomes critical for all businesses and in the process becomes a way of life.

□ S. Prabhakar
The author is a senior research planner at Ogilvy & Mather.

UPHOLDING UNIX STANDARDS



It is generally claimed that the push towards standards is a sign of the computer industry's growing maturity. Maturity, however, suggests stability — and the computer industry is anything but stable.

If anything, the pace of change is actually increasing. As a consequence, product life-cycles are decreasing. This has, in turn, led to the creation of considerable confusion over emerging technologies. And, as a variety of interest groups struggle (in a variety of different ways) to cut through this confusion, there now seems an unending proliferation of standards — nobody is quite sure which to follow. In other words, there is confusion about how to cut through the confusion. Confusing? You bet.

Things are relatively calm in the PC marketplace. This is because there is one solid standard — Microsoft's DOS operating software — that most manufacturers follow. Yes, Apple does have its Macintosh standard, but an overwhelming majority of PC users all over the world are dedicated to DOS. Not much scope for confusion there.

But look at what's happening in the minicomputer market. The Unix segment has banged the standards drum louder than any other — but, as yet, with fewer results. When IBM announced the RS/6000 in early 1990, it claimed adherence to no less than 50 standards, but that didn't prevent murmurings about its use of 'nonstandard' Unix. Trouble is, there are too many relevant standards in Unix.

In a highly competitive market, only volume sales can guarantee real acceptance as a standard. Sometimes, however, the market cannot choose a standard because sales are held up by lack of agreements on standards. Into this conundrum come the standards bodies.

The role of these bodies should be to facilitate innovation, not stifle it. They should take the hassle out of buying decisions for users by levelling the playing field in areas where users can have no useful input. None of this is easy; but if the standards bodies can achieve their goals, the effort would be worthwhile.

The moot question is: are the large hardware giants ready to discard their proprietary systems in favour of a Unix standard?

However, the moot question is: are the large hardware giants (who have a major say in most standards bodies) ready to discard their proprietary systems in favour of a Unix standard? With the growth rates in the Unix market outstripping those in the industry at large, you'd expect Unix vendors to be raking in the cash. But that isn't usually the case. The giants aren't being sentimental when they hold on to their proprietary systems — they're just being smart.

Proprietary systems translate into fatter profits, for several reasons. If your systems won't work with other manufacturers' systems, you have a lock-in on your customers. If they want to upgrade their systems and increase capacities, they must perforce come to you.

In contrast, the Unix market is highly competitive. Users are able to buy systems from different vendors — in some cases, they buy different parts of a system from different vendors. While most users don't mix and match too much, they do buy specific open boxes for specific tasks and are therefore more likely to have multiple vendors' hardware on their sites.

This means systems vendors are less likely to be able to subsidise one part of a system with another — burying the cost of software in hardware, for instance — and that component pricing becomes more competitive. Margins tend to be lowered all round.

Now, take another aspect of the Unix-versus-proprietary-systems question. High R&D costs are generally associated with any kind of new technology. If we compare the R&D spending of the different computer companies over the past five years, we see that the open-systems companies spent heavily, as did some proprietary systems manufacturers. The theory is that the high R&D costs for Unix companies should be alleviated over time, as components of the systems become commodity-like. But the danger is that R&D costs never really go away. The need to maintain an edge to differentiate one's box from others is a constant pressure.

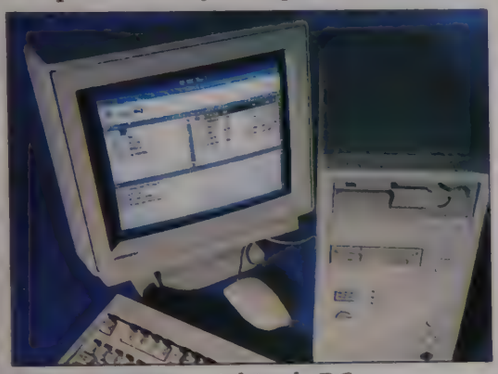
In all cases, timing is crucial. Pioneers often pay a high price. One of the largest costs for any new business is the setting up of its sales force. The growth of third-party operations, including retail distribution, accompanied the PC boom and helped PC companies keep their sales costs low. So far, such channels have not been so open to Unix systems. Unix systems are more complex, with longer sales cycles, and volumes haven't been high enough to encourage retailers. This will change.

The Unix market currently lies between the world of proprietary minicomputers and standards-based PCs. There are Unix standards, but you can't buy a plug-and-play Unix box with shrink-wrapped software. At the same time, competition is focused more on functionality than on price, as is the case of proprietary systems. What we're witnessing is the birth of a new type of market — a hybrid that has some aspects of the PC market, even as it retains the heritage of the proprietary minicomputer market.

□ Anurag Agarwal
The author is secretary of the Manufacturers' Association for Information Technology (Mait).

At a time when PCs are available at down-to-earth prices, the **486DX-50 Cache** from Blue Dolphin Computers is an exception. It costs a pretty packet at $3,749, but then it's a screamer of a system — powerful and incredibly fast, easily the most advanced 50-MHz system in the market.

As its name suggests, the 486DX-50 is built around Intel's popular 50-MHz 486 chip. The system includes a 64-KB external static RAM cache, besides a standard Diamond Stealth video RAM graphics card, one of the fastest VGA cards, with 1 MB of memory. The card includes a number of software drivers, including Windows, at upto 1024- by 768-pixel resolution.



486DX-50 CACHE: *A hitech PC*

Other features include an Optiquest-2000, a 15-inch flat-screen monitor that handles high-resolution non-interlaced Windows, a 212-MB hard drive, a Key Tronic keyboard, a Logitech mouse and preloaded DOS 5.0 and Windows 3.0.

The chips are not certainly down for Intel Corp; but **Cyrix Corp**, a small Texas-based chip maker, could upset the tables by launching a chip that mimics Intel's popular microprocessors.

Cyrix, for quite sometime now, had been planning to clone Intel's microprocessors, the brains of today's most popular personal computers (PCs). The upstart's disclosure that it has developed a new chip, a low-cost hybrid of Intel's 386SX and 486 microprocessors, has already sent Intel's stocks at Wall Street plummeting. But Intel sources are not worried. They say Cyrix could prove to be a bigger menace to the big chip maker's other cloners — Advanced Micro Devices and Chips & Technologies. Nonetheless, this hasn't prevented Intel from rushing to the federal court to sue the privately-held Cyrix for four patent infringements.

For a johnny-come-lately with a product line of seven chips and a turnover of about $50 million in sales last year, Cyrix has done remarkably well. But the company whose entire business is to make Intel-compatible chips, isn't satisfied with the success it has chalked up; it will unveil more powerful chips this year. And it hopes to surpass Advanced Micro next year to grab the No 2 slot in marketshare for its chips. Says Cyrix president Jerry Rogers, "modestly, we'd like to split the market with Intel." Move over Intel, clones are here to stay.

It's looking for more core sectors. **Apple Computer** of the US, as part of its plan to diversify into consumer electronics, has signed an agreement with **Sharp Corp** of Japan to jointly develop, manufacture and hawk an emerging class of pocket-sized consumer products that organises information and sends or receives messages.

As part of the deal, Apple will license to Sharp a new software technology that hasn't been released commercially and is different from its existing Macintosh computer software. Sharp, in turn, will provide the former with expertise in flat panel displays, a field in which it is among world leaders. For Sharp, the venture should give a lift to its Wizard, an electronic organiser that it has been selling for several years with mixed results.

It's the in thing; a raging craze for laptops. And few companies can resist the attraction of this fast-growing segment. **Zenith Data Systems** is the latest to have a go at it. The company plans to introduce four notebook-sized PCs in the US, that have built-in facilities for hooking into corporate networks.

The company's CEO Enrico Pesatori says his company is finalising the specifications of some notebooks it will build on behalf of IBM, which will resell the machines under its own label as part of a wide-ranging deal it struck with its parent Cie des Machines Bull of France.

Pesatori refused to spill the beans on the specialities of the models under discussion. He laconically says they will be based on power-conserving microchips made by Intel Corp and that IBM will be touting the machines primarily for their long battery life.

LAUNCHES

■ Bombay-based **Star Dot Star** has launched 'Remsys', a software package that acts as a reminder system. The product comes with a user-friendly interface and provides powerful context-sensitive on-line help. Key features include a sophisticated appointment system and a 'snooze' facility. It is capable of flashing reminders on monitor screens even when other programs are running.

Priced at Rs 1,375, the Remsys can take 96 reminder messages and 48 appointment notices a day. For good measure, a calculator is built into the package.

Contact: Star Dot Star, 8 Chopra Building, Prabhat Colony, Santacruz (East), Bombay 400 055. Tel: 6152530.

■ Bangalore-based **Samagra Consumex Corp** has launched a barcode reader, christened 'Maxspeed'. The product is designed to read barcodes on flat surfaces as well as on badges, tickets etc.

Maxspeed offers total solutions for data capture and data entry problems in a host of situations. It can be used in inventory control, order processing, material tracking, share application processing, work-in-progress assessment, point of sale etc.

Contact: Samagra Consumex Corp, 114, 2nd Cross, Residency Road, Bangalore 560 025. Tel: 585082.

EVENTS

■ The Taj Trade and Technology Exchange (**TTTE**) is organising an Indian software fair at the Taj Residency in Bangalore from 17-19 May. Products on display will include packages for business applications, projects and management, word processing, office automation, CAD/CAM packages, accounting systems, LAN systems etc.

Contact: Taj Trade & Technology Exchange, Mandlik House, Mandlik Road, Apollo Bunder, Bombay 400 039. Tel: 2023366. Fax: 2872711.

Sail's Bokaro plant tots up impressive numbers.

A RECORD OF SORTS

Berating the public sector is now a part of the national character. Sweeter encomium is generally reserved for private sector performances. But the Bokaro steel plant (BSP) of the Steel Authority of India (Sail) has just proved that it too can be a subject of praise. BSP is all set to earn a net profit of Rs 250 crore, a record of sorts for the steel industry.

The unaudited financial results for BSP for 1991-92 give a turnover of around Rs 3,000 crore, which is good going. Acknowledges a satisfied managing director M.R.R. Nair: "The sole reason behind this was a change of work culture."

And if numbers are any indices to go by, a managerial miracle of sorts has taken place. Operated at over 85% efficiency, the 4-million-tonne (mt) capacity plant produced 3.42 mt of ingot steel and 2.73 mt of saleable steel.

The real reason for BSP's high profitability, however, is in its record output of hot rolled (HR) and cold rolled (CR) products. HR products, namely plates and sheets, totted up to 0.85 mt, a sizeable 16% more than 1990-91's production. In tandem, the output of CR products such as coils and sheets was up by a substantial 43%, scaling a high of 0.86 mt.

NAIR: *Toning up internal efficiency*



New product. Incidentally, Bokaro has also for the first time produced, after a long and tedious wait, tin mill black plates (TMBP), a high-value import substitute, with thickness ranging from 0.2 mm to 0.30 mm. TMBP coils are sent to the Sail plant at Rourkela to be used in the manufacture of tin plates for the metal packaging industry.

Nair is confident of upping the output of CR products to 1.06 mt in 1992-93, besides being able to produce approximately 63,000 tonnes of HR and CR items exclusively for exports. Exports are crucial since steel plants will now be required to obtain foreign exchange directly from the open market for the import of inputs like coking coal. The plea that the government make available forex at a specified official rate for such imports is unlikely to come to much.

But BSP can tide over that problem if it makes enough moolah at home. And Nair has set the ball rolling. Says he: "The resources with which we had to work did not undergo any drastic change at all. We figured out that the way to minimise external constraints was to improve internal efficiency." Encore.

Ailing UBI's new head draws up his...

REVIVAL PLAN

The Calcutta-headquartered United Bank of India (UBI), which is perpetually in the throes of rampant trade unionism, continues to live up to its reputation of being the bank that does not work — despite the appointment of a feisty new chairman. "There is no work culture, no work ethic and efficiency standards are far below normal," says A.K. Bhattacharya, who has been moved from State Bank with the Herculean mandate of rescuing UBI from disaster.

Bhattacharya reasons that the bank is in a mess primarily because of its poor industrial relations track record. Productivity is low even by public-sector bank standards; sometimes staff inaction borders on the absurd. For instance, there have even been cases where staff have refused to open new accounts.

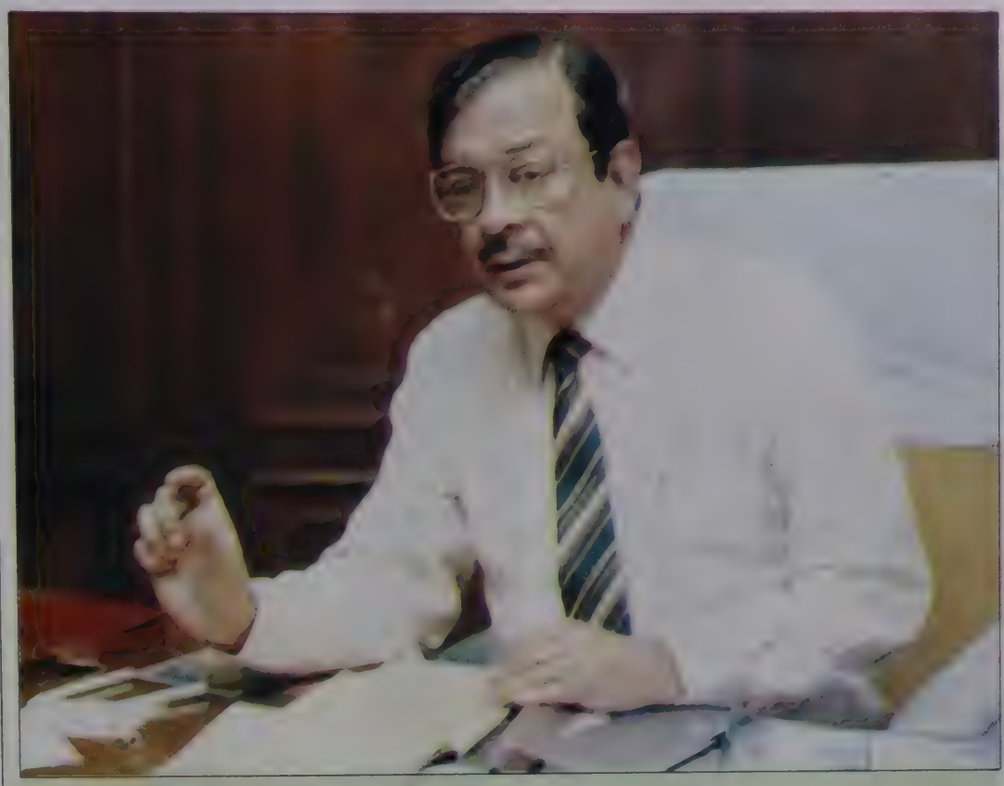
The result of all this has been that one of the leading banks in the eastern region is slipping. In deposit mobilisation, UBI could muster only a 3.6% growth in 1991-92 against the growth of 12.8% achieved by all scheduled banks. Not surprisingly, the bank's marketshare has plummeted from 3.11% in 1982 to 2.33% in March 1991 and further to

2.15% in January 1992.

Two other grey areas are: 30% of UBI's assets are non-performing and hence no interest is accrued; and there is a vast outgo on legal expenses which hits the bank's profitability. Bhattacharya explains that the drawing up of the balance-sheet as per the revised guidelines effective this year could well pull UBI into the red.

Initial objectives. The situation is indeed grim. Bhattacharya's objectives are: "Initially, we have to improve our customer service, increase the growth rate for deposits and improve the quality of our assets." He is also going to tone up the loss-making branches. Out of a total of 1,306 branches, 354 incurred losses during 1990-91. Some 22 metropolitan branches, instead of contributing to profits, actually account for 60% of this total loss quantum. A lot of transfers are probably on the cards. "In the coming days, I am going to see that the right man is put in the right job," says Bhattacharya.

One redeeming feature is that UBI is the largest single financier of the tea industry, its exposure accounting for nearly 35% of its total advances. In this sector, the recovery rate so far has been 95%. (There are reports that there has been a partial drought this year. Whether this will hit the bank adversely or not Bhattacharya is unable to tell as yet.)



BHATTACHARYA: *Herculean task*

As a policy guideline, Bhattacharya is stressing the need to optimise income and reduce costs. He is also trying to improve market intelligence and is eyeing prospects for garnering non-resident Indian deposits.

But none of this will work if the staff don't deliver. According to Bhattacharya, Allahabad Bank — with an equal staff muster and also headquartered in Calcutta — makes four times the profits of UBI. If the latter can't catch up, one can only conclude that the death knell will be tolled for UBI in this age of privatisation and survival of the fittest.

Will the Indo-UK hovercraft tieup...

TAKE OFF?

He has no staff, no factory, no office, and inadequate money for his project. Yet, 39-year-old C.H. Arora, former Crompton Greaves executive-turned-entrepreneur, has a trump card: a technical collaboration agreement with Britain's Slingsby Aviation to turn out hovercraft in India.

The agreement between Arora's Sai Hovercraft and one of the world's largest hovercraft manufacturers envisages producing a sleek, 24-seater hovercraft which can travel at speeds of up to 40 knots.

Clearly excited by his coup, Arora quickly shot off literature and letters to potential customers all over the country. The result was a steady stream of enquiries.

Right now, however, Sai Hovercraft managing director and sole staff member is a trifle bemused at the speed of events. The technical partnership with the UK-based trainer aircraft, undersea warfare equipment and hovercraft company was signed on 16 March. Last fortnight, says Arora, the Reserve Bank of India cleared the project. Confesses he: "It will take at least a few months before the project starts."

Running payments. Yet without enough money and backing, will the venture ever take off? The bespectacled mechanical engineer insists that he's studied the business and knows what he's doing. "This is like a boat-building project. Not a single boat-builder puts in his money — he gets advances from customers who place orders. In a product like this, you get running payments."

What's more, the project cost (much less than Rs 5 crore) depends on the extent of indigenisation, and on whether the moulds will be made here, among other things. Initially, moulds are out. "I'll import the first two hovercraft in kit form," says Arora. The cost is, therefore, really confined to the bill for land and buildings, he argues. Still, he plans on approaching the banks and the financial institutions for loans.



THE HOVERCRAFT PROPOSED TO BE MANUFACTURED: *Riding high*

If Arora is confident of the project's future, it is because there's apparently a big market for hovercraft in India. He is quick to point out that hovercraft have their uses in the armed forces, the coast guard and elsewhere. And a hovercraft passenger service between Surat and Bombay, between Surat and Bhavnagar and between Calcutta and Haldia, among others, could be on the cards. Indeed, Arora's former company is importing two hovercraft on behalf of a customer who's launching the Surat-Bhavnagar service. "That's where I got the idea from," says Arora. After nearly 17 years at Crompton Greaves, he put in his papers some months ago and flew to Britain to meet the Slingsby Aviation directors. They were initially cool but the managing director apparently warmed to him and a deal was struck. The only condition Slingsby imposed: staff would have to be trained for three months in the UK.

Arora talks of eventually launching a ferry service himself, but says that he'll have to first get his manufacturing act together. "I can't do two things at the same time and make a mess of both," he points out. Unlike the hovercraft he promises to produce, he plainly doesn't want to skim the surface of twin businesses.

Biecco Lawrie has bucked up but is waiting for...

A REHABILITATION PACKAGE

All of a sudden state units have been rudely awakened from their slumber. Now sitting upright at the finance minister's message, Biecco Lawrie, a public-sector company under the petroleum ministry and a member of the IBP-Balmer Lawrie group, has registered a "remarkable" achievement since December 1991. Though the company has been in the red for the past 25 years, the past four months have been better in that it has managed to avoid a cash loss. The balance-sheet, however, will show a cash loss of Rs 198 lakh, the contribution of the earlier part of the year.

Biecco Lawrie's chairman A.A. Niazi explains that this loss could have been well avoided had the rehabilitation plan prepared by the petroleum ministry in 1989 been put through. The rehabilitation package of Rs 6.68 crore is in the final stage of clearance but in the meantime "we tried to tone up the situation and run the organisation effectively. Some organisational changes and managerial reforms have totally changed the company's atmosphere which was considered as junk," says Niazi.

Biecco Lawrie is a major producer of oil circuit breakers, accounting for over 20% of the market. The motor division, closed since 1989, has a staff of 104 which is draining company resources. In fact, the idle manpower is costing the company about Rs 95 lakh annually. The management feels this staff can be redeployed when the rehabilitation package is through. "For the present, the emphasis has been on improving the productivity of oil circuit breakers where we are now working at 110% capacity," explains Niazi.

New drive. The company's research and development wing has designed vacuum circuit breakers indigenously. These are now being supplied to electricity companies. Biecco Lawrie hopes to manufacture 300 circuit breakers annually. These are in the range of up to 20 kilo amperes (Ka).

The company has also entered into technical collaboration with Westinghouse Corp of the US to manufacture vacuum circuit breakers in the range of 25 Ka to 40 Ka.

That could do something for the bottomline which is in very bad shape now. According to Niazi, Biecco Lawrie's accumulated cash loss is around Rs 42 crore, half of it by way of unpaid interest. The written down value of the plant and machinery, 30 to 40 years old, is now only Rs 14 lakh. Despite such old machinery, sales will be in the region of Rs 13.5 crore for 1991-92.



NIAZI: *Banking on the government*

Niazi expects to push the sales figure to Rs 20 crore this year. If the proposed allocation for the power sector in the eighth plan is any indication, Biecco Lawrie's products should have an expanding market. The target could perhaps be surpassed but the bottomline blues will continue until the government does its bit.

TAXING MEDICAL EXPENSES

H.P. RANINA



The Finance Bill, 1992, proposes to modify the law relating to the tax leviable on reimbursement of medical expenses. Last year this was sought to be softened by inserting a new provision for taxing perks pertaining to medical reimbursement.

Generally speaking, reimbursement of medical expenditure on account of hospitalisation is not a perk. It therefore cannot be treated as a concession or even an obligation as the employer has a vested interest in the well-being of the employee. Besides, there are no guidelines for the approval of hospitals for the treatment of government employees. In emergency situations beds may not be available for the employee, in which case he/she may have no recourse but to go to a private hospital.

The above is based on the view held by the English court in the case of *Laidler vs Perry* (43 *TC* 351). Here, Lord Reid held that a payment paid by an employer out of benevolence to an employee who is in difficulty is outside the purview of the income-tax law and not liable to tax.

It is a well-settled principle of construction that where an exhaustive definition of the word is not given but only an inclusive definition that does not define the word itself, the word is construed in its popular or commercial sense or dictionary meaning. In every dictionary, 'salary' is defined to mean a reward or remuneration for services rendered or to be performed.

A case in point is the *Divecha vs CIT* (48 *ITR* (*SC*) 222) case. Here, the supreme court held that in determining whether a payment is income liable to tax, it is necessary to consider the nature and quality of the payment. If the payment is not remuneration for services or is not paid to compensate for loss of employment or of profit of business, the receipts in the hands of the assessee cannot be described as income.

The court further held that to constitute income there should be a source from which the particular receipt has arisen. Also, a connection must exist between the quality of the receipt and the source. More relevance is attached to the nature of the receipt, though in trying to find out the quality of the receipt it would be necessary to examine the motive out of which the payment is made.

Under s.17(2)(v) of the Income-Tax Act, 1961, medical reimbursement is not taxable in the following circumstances:

- The value of any medical treatment provided to an employee or any member of his family in a hospital maintained by the employer.
- Any sum paid by the employer for expenditure incurred by the employee or by any of his family members in any hospital maintained by the government or approved by the government for the purpose of medical treatment of its employees.
- Any portion of the premium paid by an employer to keep in force an insurance on the health of an employee under any scheme approved by the central government for the purposes of clause (ib) of sub-section (1) of s.36.
- Any sum paid by an employer in respect of premium paid by the employee for insurance on either his health or that of any family member under any scheme approved by the government for the purposes of s.80-D.
- Any sum paid by the employer for expenditure incurred by the employee on his or any of his family members' treatment (other than the treatment referred to in clauses (i) and (ii)).
- Any expenditure incurred by the employer on: (i) medical treatment of the employee/family member outside India, (ii) travel and stay abroad of the employee/family member, (iii) travel and stay abroad of one attendant who accompanies the patient.

The above is subject to the condition that expenditure on travel referred to in (ii) and (iii) of this clause will be excluded from perk only in the case of an employee whose gross total income does not exceed Rs 1 lakh (proposed to be increased to Rs 2 lakh).

- Any sum paid by the employer for any of the purposes specified in clause (vi) subject to the conditions specified in the clause.

The Finance Bill, 1992, has to some extent relaxed the aforesaid provisions by allowing exemption where the medical expenses are paid directly to a hospital approved by the chief commissioner of income tax with regard to the guidelines for medical treatment of certain diseases or ailments. Further, a nursing home will now be included in the definition of a hospital.

The Finance Bill 1992 has relaxed many provisions related to taxing the reimbursement of medical expenses



In conclusion, it may be mentioned that a writ petition has recently been filed in the Bombay high court challenging the provisions of s.17(2)(v), on behalf of the All-India State Bank Officers' Federation and the State Bank of India Officers' Association, Bombay Circle. The object of this litigation is to ensure that no amount is taxable as a perk when medical expenses are reimbursed by the employer. The outcome of this litigation will be keenly awaited by all employees, both in the public and private sectors.

• *The author is a Bombay-based advocate.*

CPs: IN THE LIMELIGHT

It was flagged off with great fanfare. In early-1989, on the recommendations of the Vaghul commitee on money market reforms, the Indian markets were introduced to one of the most innovative financial instruments — commercial paper (CP). But since then, it has been tough going. Rather than coasting on the fast track, the Indian CP market has just about managed to stutter along.

Now, suddenly, CPs have come into their own. After a virtual drought, there has been a flood of CP issues in recent months. Around Rs 200 crore of short-term debt has been raised by the corporate sector through this financial instrument. And it could be only the beginning.

Why has the CP market bounced back? Financial experts are unanimous in their answer. The revival of the CP is related to the current interest rate regime. While the interest being charged by banks on working capital advances continues to be uncomfortably high, call money rates have bitten the dust. This mismatch has provided the corporate money manager and the banker with a unique financing opportunity.

According to a major private sector finance outfit's money market dealer, the main reason for the sluggish behaviour of the call money market is that banks are currently flush with funds from the various inward remittances and amnesty schemes. The controversial India Development Bonds alone are estimated to have inflated the liabilities of the banking sector by around Rs 6,000 crore (see *BW* 25 March-7 April, p.56). "Add to this the reduction in statutory requirements on incremental deposits and the expected reverse flow of public sector funds in April, and the funds position of the banking sector becomes even more comfortable," notes Jayant Kher of the Bankers' Group.

Till recently, this massive corpus of investible funds found few profitable outlets. That is just what the current spate of CPs has offered. (As a result, banks have been the biggest investors in this instrument.) Instead of the low rates of around 10% in call money, the various CPs have effective yields of between 17.5% and 19%. "In such a situation, it is very sensible for any fund manager to park his surplus money in CPs," says Champaklal Investment & Financial Consultancy executive vice-president Nayan Shah.



SARANGPANI: *CPs are a safe investment*

Safe investment. "It is not just the rate of return that matters. CPs also continue to be a very safe investment," adds 20th Century Venture Capital Corp senior vice-president T.S. Sarangpani. Though the money raised by way of CPs is classified as unsecured debt, the Reserve Bank of India (RBI) has decided to allow only those companies with excellent credit ratings to float CPs. Besides, the issuing companies must have a minimum net worth of Rs 10 crore. So it is only the blue chips who can take the CP route (see table). Though they are not underwritten by banks, many of them are backed by additional stand-by credit lines. This means investing in this financial instrument is much safer than the relatively more risky intercorporate market.

MAJOR CP ISSUES

Company	Issue size (Rs crore)
Reliance Industries	90.00
Videocon International	21.00
Asian Paints	15.60
Hindustan Lever	10.00
20th Century	18.00
National Organic	8.00
Balmer Lawrie	10.00
Polyolefins	7.50

While the various CPs have a life of three or six months, even temporary funds can be parked in this instrument through the active secondary market. (Many merchant banks now offer daily two-way CP quotes.) Prospective investors currently include just about anyone with substantial short-term surpluses. These include not just banks but also their various merchant banking subsidiaries. Besides, it is learnt, many foreign banks too are showing interest in CPs through their portfolio management schemes.

Such a lineup of institutional investors alone should have been enough to breathe life into the moribund market. But the flip side has further invigorated it. As a result of the RBI's anti-inflationary tight money policy, the entire spectrum of bank interest rates are ruling at almost prohibitive levels. Currently, even solid companies have to service their working capital needs at around 21%. "In the name of the credit crunch, banks are charging almost usurious interest rates on working capital. Naturally, we prefer to float CPs. Despite impediments like stamp duty, we get our money cheaper," argues the finance manager of one of the companies currently on the CP bandwagon.

So this current combination of the high working capital rates and low call money rates has helped in the optimum usage of money. And the beneficiaries are the fund-starved corporate bodies and the funds-flush commercial banks.

"This situation will continue for some time as there is enough surplus money available in the system. The SLR (statutory liquidity ratio) reduction on incremental deposits will only add to this. Banks will not be able to increase credit to industry at once. CPs will continue to be a profitable and safe investment avenue in these circumstances," says Sarangpani. In that case, the CP capers can be expected to continue.

□ Niranjan Rajadhyaksha

NEWS BRIEFS

■ Officials of the International Monetary Fund (**IMF**) undertook the first review of the stand-by arrangement with India. The team has outlined the new quarterly targets. These include a fiscal deficit target of 4% of gross domestic product (GDP) for the next year and a lower money supply of 11-12%. The IMF team is also willing to consider positively an application from India to convert the stand-by loan to an extended fund facility for a larger loan.

■ A team from the US credit-rating agency **Standard & Poor's** held talks with Indian industrialists and ministry officials with a view to review the country's credit rating. Following the new direction of policies, industrialists are reported to be optimistic of a favourable outcome of the review. India's credit rating was downgraded twice last year.

■ The Union finance ministry is considering implementation of a **package** of measures aimed at completely eliminating *hawala* trade. Amongst the proposed measures are: further liberalisation of gold imports and an increase in incentives for sending foreign exchange remittances through the official channel.

■ The controller of capital issues (CCI) is reported to have relaxed its norms for pricing of capital issues to be listed on the Over-the-Counter Exchange of India (**OTCEI**). The CCI has agreed to accept the premium prices arrived at by the sponsors of the issue. The OTCEI is to list over 50 companies on its exchange by the year-end. It has already obtained CCI clearance for six issues to be listed shortly.

■ The Export & Import Bank of Korea has hiked its **credit ceiling** for India from the present $200 million to $550 million. Of this, the Shipping Corp of India has availed of $207 million and the Oil & Natural Gas Commission $343 million.

■ A scheme to finance the sale of machinery by machinery manufacturers has been formulated by the Industrial Development Bank of India (**IDBI**). Under the scheme, the sellers have to approach IDBI for setting up limits to finance their sales. To be eligible, the sellers should be manufacturers of the machinery; should have been in production for the past five years with a sound financial status and good performance record; and should not be in arrears to their term lenders.

Meanwhile, the Securities & Exchange Board of India (Sebi) has granted category I merchant banker authorisation to IDBI. IDBI recently set up its separate merchant banking division.

■ The Reserve Bank of India (RBI) is reported to have asked exporters to the former USSR to ensure that they obtain **fresh authorisations** by banks of the independent republics and that their export transactions are covered under the trade and payments protocol signed by the concerned republics.

■ **Citibank NA** and Telco have signed an agreement to securitise the latter's hire-purchase portfolio, which involves repackaging of the receivables and passing the same to investors.

■ **RBI** has eased the norms for foreign exchange availability for shipping companies under the liberalised exchange rate management system (Lerms). Earlier, ship-owners had to remit 40% of their gross earnings to the RBI at the official rate.

■ The RBI has opened a window to accept **dollar deposits** which have been maintained by resident Indian exporters or other recipients of inward remittances in convertible currencies.

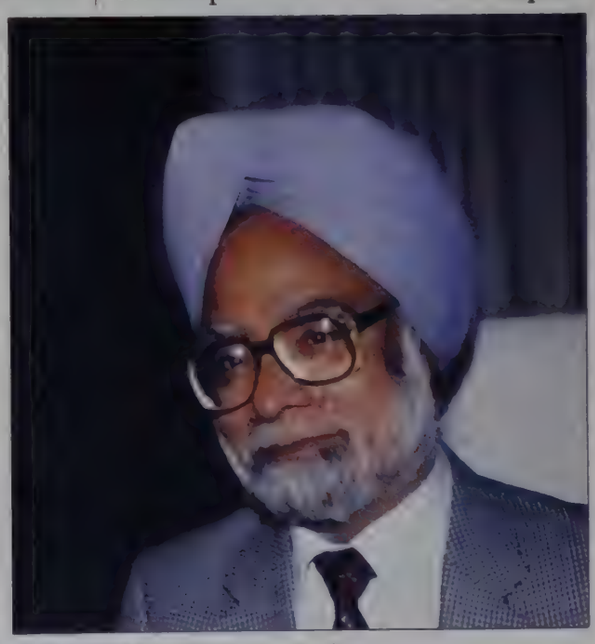
■ The National Bank for Agriculture & Rural Development (**Nabard**) is to provide Rs 20 crore per year for setting up estates of khadi village industries in Maharashtra. The Khadi Village Industries Commission plans to set up such estates in 296 *talukas* in the state.

■ **Coromandel Finance Co** — an M.A. Chidambaram group company — is being merged with another group company, Mercantile Credit Corp, a non-banking finance company.

■ Accepting certain recommendations of the Rangarajan Committee on Small Savings, the Union government is to soon raise the rate of **interest** on post office monthly income schemes from 12% to 14% and also reduce the maturity period of Kisan Vikas Patras from five-and-a-half years to five years.

■ The **Tatas** have announced the floating of a mutual fund. The investment company of the group, Investment Corp of India, along with Tata Sons, is setting up an asset mangement company for the purpose.

■ India has sought a $500 million quick **disbursal loan** from Japan. Finance minister Manmohan Singh, on a visit to Japan, was assured by his Japanese counterpart that India's loan request would be considered positively. Japan is expected to take a final decision at the Aid-India Consortium meeting scheduled to be held in Paris on 24-25 July.



SINGH: *Seeking Japanese aid*

■ The Discount & Finance House of India (**DFHI**) has started dealing in dated government securities at its Bombay office from 2 April.

HOSPITAL VENTURES

P.V. SATYANARAYANA



The seventies witnessed the entry of the private sector into the hospital sector. Till then, the establishment and operation of hospitals were essentially the prerogative of the government, charitable trusts and social welfare organisations.

Apollo Hospitals was the pioneer in the hospital business; it was the first to enter the capital market for raising funds. Apollo's success has caught the imagination of many businessmen and big industrial houses, who are now finding it a profitable proposition. Further, for large industrial houses it has also become an image-building exercise. In this context, it is worthwhile to detail some of the hospitals that are currently under planning and implementation.

■ Apollo Hospital Enterprises, which has recently combined with the UB group to establish a hospital at Bangalore, has drawn up plans to collaborate with a number of industrial and big business houses to set up joint venture projects in various parts of India. Some of these projects have already been discussed in separate paragraphs in this article. The others include one at Bombay with a leading diamond merchant, another at Guwahati with Associated Industries and one each at Jodhpur and Jaipur with non-resident Indians. Apollo Hospitals proposes to invest around Rs 470 crore in 17 joint venture hospitals all over India.

■ Advanced Medical Care, a new company promoted by P.S. Mahadevan, is establishing a modern 250-bed hospital at Trichy (Tamil Nadu). The hospital will have facilities for trauma, critical care, cardiothoracic surgery and perinatology and will be the first of its kind in India to have a trauma registry. The Rs 20.5 crore project has received assistance from the Industrial Credit & Investment Corp of India (ICICI) to carry out research and for the collection of data on the incidence, type, mortality and sequel to each trauma. The hospital has a technology transfer arrangement with North Memorial Medical Centre, Minneapolis (US). The hospital is already functional, and is expected to become fully operational by mid-1992.

■ Apollo Hospitals is setting up a 100 bed hospital at Nellore (Andhra Pradesh), which is to be completed during the second half of 1991.

■ Bhopal Hospitals Corp, a joint venture between Apollo Hospitals and R.K. Gupta's United group, is setting up a Rs 40-crore, 250 bed multi-speciality hospital at Bhopal with high-technology medical diagnostic equipment. The project is likely to become operational during the first half of 1994. The Apollo-United combine is drawing up plans to set up 40 such hospitals in the country over the next few years.

■ CDR Health Care is setting up a Rs 60 lakh, 75 bed paediatric hospital at Hyderabad. The company is also planning to expand this by installing an additional 100 beds in the near future, possibly by 1993.

■ Devaki Hospital, established by the Madras-based Eskeycee Medical Foundation, is expanding its multi-speciality facilities at a cost of Rs 4.02 crore. The capacity is now being doubled from 60 beds to 120 beds. A new range of imported medical equipment is being installed. These include an image intensifier, advanced theatre and laboratory equipment, ventilators and accident/emergency care monitors besides a host of theatre equipment.

■ Duncan Agro Industries, a G.P. Goenka group company, is diversifying into hospitals. The company has tied up with Apollo Hospitals to promote a joint venture — Janapriya Hospitals Corp — to establish a Rs 65 crore, 400 bed super-speciality hospital and a diagnostic clinic at Salt Lake in Calcutta. The project is expected to be completed sometime during 1993.

Many businessmen and big industrial houses are finding the hospital sector a profitable proposition now

■ G.M. Modi Hospitals Corp, a new company promoted by the G.M. Modi group, is establishing a Rs 52 crore multi-speciality hospital with state-of-the-art equipment in Delhi. Apollo Hospitals has been appointed as consultants for the 510 bed project.

■ Gujarat Inject, a leading manufacturer of IV solutions, is diversifying into hospitals. A new company — GIL Hospitals — has been promoted to set up a Rs 2.93 crore, 300 bed ultra-modern hospital conforming to international standards at Baroda. The hospital will have a mix of preventive and curative healthcare and medical care facilities to diagnose and treat a wide range of diseases and disorders.

■ Harilal Jechand Doshi Hospital, which recently completed the installation of a super-speciality specialised surgical hospital at Rajkot, is increasing its facilities over the next few years. Initially, the bed capacity is proposed to be raised from 60 to 100, probably in 1992, and thereafter to 250 over the next two years.

■ Harkishandas Narottamdas Hospital, one of Bombay's premier healthcare centres, has taken up a Rs 22 crore modernisation-cum-expansion programme. Capacity is to be almost doubled from the existing 375 beds. Completion is likely in 1993.

■ Kalinga Hospital is a new company promoted for establishing an ultra-modern super-speciality hospital at Bhubaneswar. Work on the project may begin by the second quarter of 1992 and completion may be possible

towards the end of 1993 or early 1994.

■ Malar Hospitals is setting up a Rs 21.2 crore, 250 bed multi-speciality hospital at Adyar in south Madras.

■ Modern Medical Institutes has initiated work on the construction of an ultra-modern medical institute at Raipur (Madhya Pradesh). The project is to be implemented in two phases.

■ Noida Medicare Centre has set up a modern multi-disciplinary hospital with a capacity of 60 beds at Noida near Delhi. A whole range of advanced equipment has been installed. These include whole body CT scan, ultrasound with echo-cardiography and doppler dialysis.

■ Paam Pharmaceuticals, a drugs and pharmaceuticals manufacturer, is now diversifying into hospitals. A Rs 65 crore 300 bed multi-speciality hospital is to be established in Delhi in technical collaboration with Hospitalia GmbH, Germany. The project is targeted for completion by end 1993.

■ Peerless General Finance is entering the hospital business. It has tied up with Hospitex (France) to promote a joint venture — Peerless Hospitex Hospital & Research Centre — to set up a Rs 10 crore, 300 bed modern hospital complex at Calcutta.

■ RPG Enterprises has promoted the J.P. Memorial Cancer Hospital & Research Centre at Patna in technical collaboration with Hospitex. The hospital will have a capacity of 50 beds and will provide treatment for cancer patients.

■ The Moscow-based Eye Microsurgery Intersectoral Research & Technology Complex is to set up a satellite clinic at Hyderabad which will undertake sophisticated eye microsurgery for the first time in India.

■ Sree Janapriya Hospitals is poised to begin operations at its 100 bed hospital at Kurnool (Andhra Pradesh). The hospital is fitted with the latest equipment. A modern operation theatre and an intensive care unit have been installed, as also a neonatology centre for premature babies.

■ Steel Strips is to set up a 500 bed hospital at Chandigarh in association with Indian Hospitals Corp at a cost of Rs 60 crore. The company has been alloted a 25 acre plot by the Chandigarh administration.

■ Surlux Mediquip is setting up healthcare and diagnostic centres using hitechnology equipment such as CT scanners and magnetic resonance image (MRI) machines at various cities in India. Initially, an MRI centre is being established in Bombay, as also CT scan centres at Agra and Kanpur. Further, Surlux also has plans for a modern Rs 20 crore hospital in Bombay.

■ Tamilnad Hospital is setting up a super-speciality hospital on the outskirts of Madras in two phases. During the Rs 23 crore first phase, a capacity of 250 beds will be established. This will later on be expanded to 600 beds, probably by 1993. The hospital will have facilities in all major disciplines of healthcare such as oncology, nephrology, cardiology, paediatric intensive care, bone marrow transplantation and cancer detection and treatment.

■ Work on Tata Tea's Rs 8 crore, 80 bed hospital at Chabua near Guwahati has almost been completed. The hospital will meet the healthcare needs of the personnel working in the tea estates of Assam.

■ Telco is upgrading facilities at its medical division at Jamshedpur. The new facilities include a 20 bed burns centre, an OPD complex and an MRI system. An advanced hospital information system is also being developed.

■ Wockhardt, a well-known manufacturer of healthcare and veterinary products, is setting up a Rs 20 crore, 150 bed speciality hospital at Bombay with cardiology, urology, neurology and orthopaedic departments. The hospital is to be established in collaboration with a US hospital chain.



APOLLO HOSPITALS' HYDERABAD UNIT: *High on health*

The success of the pioneer in the hospitals business, Apollo Hospitals, has caught the imagination of many who have also got into the act

• *The author is a Bombay-based management consultant.*

"THERE WILL BE A CORRECTION"

The big bull of Dalal Street — Harshad Mehta of Growmore Research & Asset Management — needs no introduction. Today, whenever any scrip is moving up sharply, it is invariably said that he is buying it. Mehta himself is slightly annoyed with the larger-than-life role the market has given him. Says he: "There are some vested interests trying to capitalise on my name. How can I be accountable for that?" The man in the limelight spoke to BusinessWorld *on the present stockmarket conditions. Excerpts:*

■ Everybody is unanimous in saying that today's market lacks sanity. What are your views?

I wouldn't like to generalise on all the stocks. There are some stocks that are genuinely worth the price. But the bubble will certainly burst in the case where people have picked up stocks in sick units. There are some dud companies which are quoting at absolutely unbelievable prices. Unfortunately, we in India have no alternative to the equity market which fetches us high returns.

■ Does that mean there is a crash in the offing?

No. My views of the bubble bursting are restricted only to the weak stocks. I do not foresee a crash, but a correction will certainly come in.

■ Correction is a very broad term. What is your definition of correction?

At any given time, there is a certain amount of investing and disinvesting. Investors sell and reroute their money into better stocks. This has always been going on. In a risk-market such as equity, one should be ready to absorb a 20% fall. This was applicable when the index was 1,200 or 2,000. Why can't investors today have the same attitude at the present level?

■ Where do you see the index by, say, Diwali?

It is quite unpredictable. Though the index is generally an influencing factor, I do not consider it.

■ Post-budget, which are the industries worth investing in?

The investment opportunity is different for different stocks. It is difficult to say which industry one should look at simply because the industry may seem fantastic, but there may be some dud stocks within that industry. Unfortunately, Indians assess the risks more than the potential. Take, for instance, the ball bearing industry. People compare SKF Bearings' price to that of Karnataka Ball Bearing and think that the latter is low-priced. It's absurd. The fundamentals of the two companies are totally different.



■ Which scrips can one pick up in this market?

Sorry, I would not like to answer this question.

■ Do you think ACC is overpriced?

There are different forces working with different stocks. If you look at ACC, in the specified list even at this price, its P/E (price/earning) is below average.

■ Don't you think the P/Es are ruling at unrealistic levels?

I don't understand why people are making a big song and dance about P/Es. The issue has been blown out of proportion. With free market pricing on the cards, how many people have sat down with their calculators to see the effect? With market-driven pricing, the cost of servicing the equity by existing companies will be low and the most important thing is the rise in earnings which will bring the P/E down. Now market capitalisation will play a crucial role in raising money.

■ What do you think of the public sector undertaking (PSU) shares that have already been listed?

The prices they are ruling at are not very relevant to their (the units') performances. Hence, one should be very selective. There is not enough information available on the PSUs.

■ Foreign investment firms which have recently visited India think that our markets are overheated, and it is not the right time for them to enter. What's your view?

The foreign investors' perceptions are different for they operate in a totally different environment. Our market is not as leveraged as theirs. They invest out of a debt situation (they can borrow money against their shares and reinvest in the market), while in India it is one's savings that enter the market. Hence, the Indian investors emerge much stronger in profits. The foreign investors think that today's index is high. But if the index goes up to say 6,500 and comes down to today's level, then they will come in. Isn't that a funny logic?

■ What, according to you, is the potential of the Indian stockmarket?

We must remember that only 6-7% of the total household savings has come to the market. If this euphoria continues, the figure is bound to be much higher. I expect a lot of money to come in either by way of direct investment or through mutual funds. I would like to add one point: a mature investor is the one who has gone through the losing and winning game.

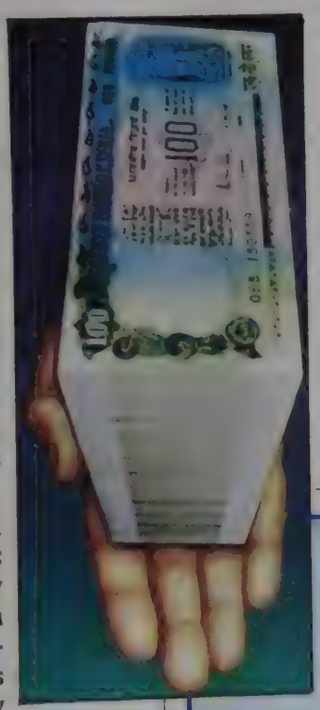
FINANCE SCRIPS: MIXED OUTLOOK

RAAMDEO AGRAWAL



The past year has been a pretty go-go one for the Indian stock-markets. There have been the periodic corrections but the fact is, the runaway rises that have followed have dwarfed the falls. At the time of writing, the Bombay stock exchange sensitive index (BSE Sensex) had begun its movement on a downward spiral after scaling an all-time peak of 4,500-plus. And an extremely bearish mood had set in on the bourses. The question topmost on investors' minds was: would the reaction be followed by another burst upwards?

Let's move on from the market to specific scrips. Leasing and finance companies' stocks were one of the most neglected ones until Housing Development Finance Corp (HDFC) and Industrial Credit & Investment Corp of India (ICICI) were pushed to the forward list in January 1992. Before that, stockmarket players had been turning a blind eye to these scrips, despite a lot of talk about the expected revamp of the finance sector. Once speculation in these two shares started hotting up, investors piled into every scrip that had even a mention of leasing or finance in its name. And these stocks gained blue-chip status overnight.



The problem with this is, public memory is very short. In 1985, a plethora of fly-by-night operators collected money to promote leasing companies and almost all the scrips went below par in subsequent years. Now the same companies are back in the game. This time they are angling for the private-sector mutual fund and banking arenas. Those considering banking are far less in number mainly because operating in this sector is not easy. Besides, the Reserve Bank will always keep a gimlet eye over a bank's functioning. But setting up a mutual fund, well, that has become every corporation's buzzword.

The euphoria for finance and leasing shares is so great that even substantial management unloading has continuously been absorbed by the market without any problem. At current prices, the market capitalisation of most of these companies has reached a level where 5-10 of them with a better loan portfolio can be set up. According to me, it is best that investors hawk off their till-now-sleeping leasing shares.

I have reasons for saying so. There are practically no entry barriers to the leasing and hire-purchase business.

The trend in depreciation and tax rates has also been none too encouraging which, in the final analysis, will result in lease financing becoming less attractive. However, there is a flip-side too. An acceleration in industrial activity, following the ongoing liberalisation, can definitely benefit these companies in future.

I wouldn't advise you to sell shares of finance companies like HDFC, ICICI and Sundaram Finance because over the years these have developed an efficient organisational structure which they can capitalise on given the opportunity. Some of my sell candidates are:

20th Century Leasing. The company has reported an earning per share (EPS) of Rs 8 in the year to December 1991 and has announced plans to set up a mutual fund and also enter specialised banking. The management is capable and the company is definitely a leader in leasing. But the benefits of its new diversifications will accrue to its bottomline after a while.

Aravali Leasing. There is a strong rumour that this Birla company is likely to enter banking. Nonetheless, it would still be wise to disinvest.

DCL Finance. There was talk that the company was going to tieup with Merrill Lynch because of which the scrip shot up to Rs 120. Must be sold.

Nagarjuna Finance. The share zipped ahead to touch a high of Rs 140 early this month. At that price, the company's market capitalisation was close to Rs 100 crore while it generates Rs 6 crore cash annually.

Mazda Industries. A company that has been in the limelight thanks to the Harshad Mehta connection. To be sure of where the share is headed, you have to constantly keep track of Harshad Mehta's ambitious plans. It would be better to sell out than lose sleep worrying over your investment.

Other shares that I'm bearish about include: **Coromandel Finance, Empire Finance, Harita Finance, Integrated Finance, Leafin India, Madras Motor Finance, Midwest Leasing, Ross Murarka Finance, SRF Finance** and **Worldlink Finance**.

I am bullish about certain finance company scrips. Among them figure: **Apple Industries, Ashok Leyland Finance, Gujarat Lease Finance, Reliance Capital, Sundaram Finance, HDFC** and **ICICI**. These are shares which you can comfortably retain in your portfolio.

With the exception of a few blue chips, investors should dispose of a majority of their investments in leasing and finance companies

• *The author is a Bombay-based investment consultant.*

A CASE FOR INTERVENTION



It is now generally accepted that the Indian stockmarkets have got substantially overheated. The current level of share prices cannot be justified by the assets, profits and dividends of the respective companies. Most of the leading scrips have dividend yields of less than 1% and a price-earning ratio of over 50, which is clearly unrealistic in view of the zero industrial growth in 1991-92 and the uncertain prospects for 1992-93.

Scarcity of stock is often cited as rationale for the high price of scrips. The basic question that has to be addressed is whether the stocks are being purchased for their commercial return or as collectors' items as one would purchase a rare stamp or an original manuscript. If the purchase is being made purely for scarcity value, then of course it is quite possible for a stamp like the Penny Black to have a price totally unrelated to the commercial price of moving a letter from one place to another. Similarly, an original manuscript by a famous author can have a scarcity value many times higher than the commercial value of a book printed from the same manuscript. Even in the case of stocks and bonds, certain pre-World War I certificates issued by long-defunct companies or governments have become collectors' items in the West, though there is no possibility of their ever paying dividends or interest.

NO COLLECTORS' ITEMS

However, the current purchasers of the leading scrips on the Indian stockmarkets are fundamentally buying the shares for their economic return and not as collectors' items. Therefore, if the valuation put on the shares gets too far out of line from the underlying assets and profits of the businesses they represent, a debilitating crash becomes almost inevitable. Such a crash is bound to singe small-time investors far more than professional operators, and is likely to scare many of them away from ever investing in the stockmarket. To maintain the healthy trend of household savings getting channelised into industrial development through the medium of stock exchanges, it is essential to re-establish sanity in stock prices so that a catastrophic crash is avoided. Even after more than 60 years, people still remember the 1929 crash on Wall Street which was followed by the Great Depression. In India the overheating of the stockmarkets in 1985 (which was much less than at present) was similarly followed by a downtrend in the capital market for the next three years.

So far the authorities have tried to control the situation mainly by increasing margins and reducing trading hours. However, this is similar to introducing rationing in times of scarcity; it does not affect the basic imbalance between demand and supply of scrips.

STABILISING EFFECT

The policy decision has already been taken to gradually offload up to 49% of the equity of public-sector undertakings. If this process is speeded up it can induct fresh scrips into the market almost equal to the current market capitalisation. Such a move will not only have a stabilising effect on prices, but will also give the market the necessary depth to absorb inflows from foreign mutual funds and foreign pension funds which are being contemplated as per this year's budget speech. At the same time, disinvestment on anything like the current stockmarket yields of less than 1% will give the government the resources to retire part of the public debt which typically yields around 12%. This can have a dramatic impact on the government revenue deficit, of which interest on public debt constitutes one of the biggest components.

As a second measure, the state-owned financial institutions (FIs) can also start offloading some of their portfolio holdings. The portfolio holdings of the five leading FIs are equal to the entire market availability of scrips. Even a relatively modest divestment will have a marked impact on the supply of scrips in the market. Such a move will enable the institutions to book profits on their portfolios and generate resources to meet the stiffer capital adequacy norms now imposed, as well as increase the lendable resources for new projects without having to look for budgetary support.

Because of the extensive involvement of the government in the financial and industrial sector over the past 40 years, it is uniquely placed to dampen the extensive overheating of the stock exchanges, while at the same time garner useful resources directly for the government budget as well as indirectly through the FIs. Now would be the time to turn to positive advantage the extensive government involvement in the financial and industrial sectors which otherwise has had a generally negative economic impact. Let not the rhetoric of market forces prevent state intervention where it is essential to preserve a healthy market. The current situation is clearly one such case.

□ Abhijit Sen
The author is co-chairman of the Nicco group.

Now is the time to turn to positive advantage the state intervention in the financial and industrial sectors



Here's another foreign outfit that's saying no to increasing its stake in its Indian partner. In fact, Tube Investments (TI) of the UK is actually cutting its holding in TI India from 11% to 7%. It is achieving this by not subscribing to the Rs 32 crore rights issue of 15% partly convertible debentures (PCDs) which TI India is floating.

Says TI India president A. Vellayan: "From now on, our company will service the west Asian and other Asian countries that TI UK was earlier catering to. We are making the PCD issue to finance some special facilities as well as our modernisation and expansion plans."

Each Rs 100 PCD consists of two equal parts. The first portion of Rs 50 will be converted into one equity share of Rs 10 at a premium of Rs 40 six months after allotment, while the second part of Rs 50, which is non-convertible, will be redeemed in three instalments at the end of the seventh, eighth and ninth years.



Jagdish Doshi considers 16 March 1992 as the most important day in his life. The reason: on that day his venture Co-Nick Alloys (India) was given the go-ahead to be listed on the Over-The-Counter Exchange of India (OTCEI — slated to start in June), the first company to be given this honour.

Co-Nick's plant, located at Murbad (Maharashtra), "is one of the most modern of its kind in India," says Doshi. It turns out a range of alloys in the form of wires and wire rods. Production commenced in June 1991, and the company has chalked up sales of Rs 1.25 crore and a profit before tax of Rs 13.55 lakh since then.

Says Doshi: "Of the Rs 1.40 crore equity, the sponsors' (Industrial Credit & Investment Corp of India and DSP Financial Consultants) contribution in the venture is to the tune of Rs 70 lakh jointly. Both are offloading shares worth Rs 58 lakh, at a premium of Rs 6."



He's got the right credentials to make an issue. Harish Bhasin is a former president of the Delhi stock exchange. Besides, last year he took his company HB Portfolio Leasing public, which in the process became one of the first broking outfits to do so. Now he's approaching the capital market again with a Rs 20 crore rights-cum-public zero-interest fully convertible debenture (FCDs — Rs 200 face value) issue for another of his ventures, HB Leasing.

Says Bhasin: "We have plans to enlarge our activities and to diversify into other areas."

Some Rs 6.52 crore worth FCDs are being offered to existing shareholders in the ratio of one for every 10 shares held, while the public offer is of Rs 10.42 crore. Each FCD consists of two equal parts of Rs 100. The first will be broken up into five equity shares at a premium of Rs 10 six months after allotment, while the second will be converted at a price to be decided 24 months after allotment.



The once-laggard soya industry is witnessing a boom. And aiming to piggyback-ride the good times is the Indore-based Shrishrimal group, headed by S.C. Jain. The group has now chalked out massive expansion plans for one of its companies, SKGSL, which has been operating for sometime. Says SKGSL managing director L.K. Jain: "There's great potential for soyabean oil as edible oils are always in short supply and India has to regularly resort to imports."

The Rs 9.35 crore expansion involves raising the capacity at SKGSL's Guna (Madhya Pradesh) solvent extraction plant from 100 tonnes per day (tpd) to 200 tpd and setting up a solvent extraction plant of 200 tpd and a 35 tpd vegetable oil refinery at Baran (Rajasthan). At the end of the entire exercise, the company will have a total processing capacity of over one lakh tonnes per annum (tpa).

To part-finance its plans, SKGSL is floating a Rs 2.14 crore at-par equity issue on 30 April.



More and more companies are homing into the housing business in a big way. And several of them are approaching the public to finance their projects. The latest to do so is the Madras-based SI Property Development Ltd (SIPDL).

Says chairman V.A. Kurien: "We are currently engaged in the construction and marketing of four residential projects in Madras and Bangalore. More than 50% of the space has already been booked. The projects are expected to be implemented by May 1993."

Apart from this, SIPDL has signed agreements for the development of two future projects in Bangalore, for which the necessary approvals have been received. Negotiations are also in the final stages for other residential and commercial projects in Madras, Bangalore and Mysore.

To part-finance its plans, SIPDL is entering the capital market on 6 May with a Rs 3 crore at-par equity issue.



Homi Patel is a very happy man. His REPL Engineering Ltd (REPLEL) makes heat-shrinkable cable jointing kits — a product that is available through only five other companies worldwide.

Explains Patel: "India is a virgin market. Its size currently is 5.50 lakh kits per annum (lkpa) and it has just started to grow."

Shrinkable cable jointing kits find application in power, telecom and electronics — areas where cables are used. They consist of pieces of cable joints which are used to increase cable length and in areas where branching of tapoffs is required.

The company has already exported some Rs 4 crore worth kits so far. To cater to the growing domestic demand, it is increasing the capacity to 4.16 lkpa, involving an outlay of Rs 16.10 crore. To part-finance the expansion, REPLEL is entering the capital market in May with an at-par equity issue totalling Rs 3.6 crore.



It's taped up a fair deal of success for itself. And now videotape pancake maker, Indian Magnetics Ltd (IML) has embarked on an expansion-cum-horizontal integration programme.

Says IML managing director Satinder Kapur: "The expansion programme is a result of the sudden boom in cable TV network which has opened up a new avenue for blank video cassettes and also because we are now able to export nearly 60% of production." And he's looking to satisfy the growing demand by using some 50% of his videotape for making video cassettes. Under the horizontal integration programme, the company plans to get into the manufacture of audiotapes. The annual planned capacity: 36 million cuts of C-60 equivalent audio cassettes.

To part-finance the Rs 20 crore programme, the company is coming out with a Rs 5.60 crore at-par equity rights (1:1) issue.



He's got a penchant for promoting new ventures. Over the past decade, Vijay Kumar Gupta has floated seven of them. Yet his maw is not sated. Another company — Gujarat Ambuja Exports Ltd (GAEL) — has emerged from his stable.

Says Gupta: "We are setting up a castor seed crushing plant with an installed capacity of 65,000 tpa and a 4 lakh tpa refinery."

So far, the company has tied up with just a Hongkong-based firm for exports. Yet Gupta is confident that he will be able to ship out the entire production. And he's already drawn up expansion plans which are slated to be taken up in December. The plant is located at Kadi in Gujarat.

To part-finance the Rs 7.78 crore project, GAEL is entering the capital market on 21 April with a Rs 3.78 crore at-par equity issue.

A SAFE SCHEME

M. D. MUKHI

Most investors, at one time or the other, must have parked their savings in the Unit Trust of India's (UTI's) best known and most patronised flagship scheme — Unit Scheme 1964. Till recently, this scheme had no competitor. But now with the launch of Dhanasahayog by LIC Mutual Fund (LICMF), investors will have the opportunity to choose from two popular schemes.

Dhanasahayog is in the mould of Unit Scheme 1964, but with an improvement by way of a beauty-parlour touch. The scheme has been kept open-ended to suit investors' convenience for parking their savings as and when funds are available. The face value of each unit is Rs 10 and the selling price is fixed and announced by LICMF every month. While there is no limit on the maximum amount that can be invested under the scheme, the minimum is fixed at 100 units so that an average investor may use this scheme as a piggy bank and keep building up his small savings into a formidable asset over time.

The scheme offers three different options to cater to the diverse needs of investors:

- **Plan A:** Under this plan, dividend declared after the close of every accounting year will be remitted to the investor. This option is good for those investors who need to augment their annual income.
- **Plan B:** Under this plan, dividend declared after the close of each acccounting year will be reinvested under the scheme at the prevailing selling price. A certificate will be issued to investors to enable them to claim tax benefit under s.80L.
- **Plan C:** Like plan B, dividend declared every year will be reinvested under this plan. However, no certificate is issued for claiming benefit under s.80L.

Both plans B and C have been designed for those investors who already have a regular adequate income and would therefore prefer to build up their estate or go in for a lumpsum amount at the end of the period to meet contingent household expenses. Plan B is meant for those who are eligible to avail benefit under s.80L and therefore can build up a corpus free of income tax, while plan C is designed for those who have already exhausted their s.80L limit and can avail of capital gains tax exemption under s.48(2) of the Income-Tax Act (ITA) 1961. Both plans B and C are in the nature of a cumulative deposit scheme.

The investor has to indicate his choice in the application form. If he does not do so, it will be considered that he has opted for plan B. The investor is also free to switch from plan A to B or vice versa after payment or accrual of two annual dividends from the date of the earlier option.

The following tax benefits will be available to the first-named individual applicant:

- Deduction from taxable income under s.80L of the ITA 1961, as per prevailing rules.
- Wealth tax exemption up to an overall limit of Rs 5 lakh under s.5(i) of the Wealth-Tax Act 1957.
- Long-term capital gains tax exemption under s.48(2) as per prevailing rules.
- No deduction of tax at source.



Investors in Dhanasahayog are provided with adequate liquidity by way of encashment and loan facilities. The certificates can be encashed at any divisional office of the LIC in the country at the declared repurchase price irrespective of the amount held. Investors can also avail of loans from the Central Bank of India (CBI). As the Dhanasahayog certificates are freely transferable, these can also be sold in the market or gifted.

The scheme has several plus points and is likely to get a good response from the investing public. It offers everything that an average investor would normally ask for: safety of capital, reasonably good returns including bonus, easy liquidity, tax benefits and capital appreciation. The target group is persons who have received sums in the form of gifts, capital gains, maturity proceeds or windfalls. It is particularly suitable for retiring employees, as they can gainfully invest their funds on retirement. The unitholders will be paid the entire year's dividend irrespective of the date of purchase since the selling price is fixed every month. The wide choice of plans offered under the scheme takes care of the individual investor's specific needs and tax planning requirements. The fact that the scheme offers investors to choose when to get in/out of it gives it the flexibility of a bank's current bank account.

• The author is a Bombay-based investment consultant.

IN A NUTSHELL

Scheme: Dhanasahayog. An open-ended scheme offered by the LICMF on the lines of UTI's Unit Scheme (1964).
Options: (1) Plan A: regular income option. Dividend paid annually; (2) plan B: annual dividend will be reinvested in the scheme and certificates issued to enable investors to claim benefits under s.80L; (3) plan C: designed for investors who have availed of benefits under s.80L and would now prefer capital gains tax relief under s.48(2).
Minimum & maximum amounts investible: Minimum 100 units, with a face value of Rs 10 each, for individuals and 1,000 units for others. No maximum limit and multiple applications are allowed. Cheques payable to 'LIC Mutual Fund — Dhanasahayog.'
Liquidity: (1) Encashment facility available; (2) freely transferable; (3) loan facilities available at CBI branches.
Eligibility: (1) Individuals; (2) minors; (3) Hindu undivided families; (4) bodies corporate; (5) trusts; (6) societies; (7) schools; (8) colleges; (9) universities; (10) clubs; and (11) NRIs (on a non-repatriation basis).
Other features: (1) Sale and repurchase price announced from month to month; (2) can be sold in the market or gifted.

BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 25 May 1992.

Attention is drawn to the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.

2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.

3. Investments in debentures or securities other than equity shares are not permitted.

4. No investment can be made in scrips in which there has been no trading on the reference date for investment (12 May 1992 for Contest No 18).

5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).

6. The maximum amount investible in any one scrip is Rs 50,000.

7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 12 May 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.

8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 11 June 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.

9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.

10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 5% per annum.

11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stock-markets.)

12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 18, the last date for the receipt of entries is 25 May 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 18 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**

13. In case of a tie, the money will be divided equally among the winners.

14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.

15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.

16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Since the daily official quotation of the Bombay stock exchange was not available at the time of going to press, the evaluation of the contestants' portfolios for Contest No 13 could not be done. Hence, the results for the said contest will be published in the following issue.

INVESTOR CONTEST NO 18 — ENTRY FORM

Name of scrip	Price on 12 May 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

Address: _____

THE MARKET PAUSES

DEEPAK MOHONI



The 30-share Bombay stock exchange sensitive index (Sensex) passed the entire trading fortnight under review (30 March-11 April) in the 4,000s, while the 100-share national index (NI) crossed the 2,000 level briefly. Following the pennant which appeared in the previous fortnight, two island reversals manifested themselves on the chart. The near-vertical rise since mid-December has finally started taking some breaks and permitted the appearance of some formations on the chart.

The Sensex closed 515.25 points (13.6%) higher at 4,306.43 on 11 April, compared to 3,791.18 on 30 March. It outperformed the NI, which was up from 1,747.46 to 1,916.16 over the same period, for a gain of 168.70 points (9.7%).

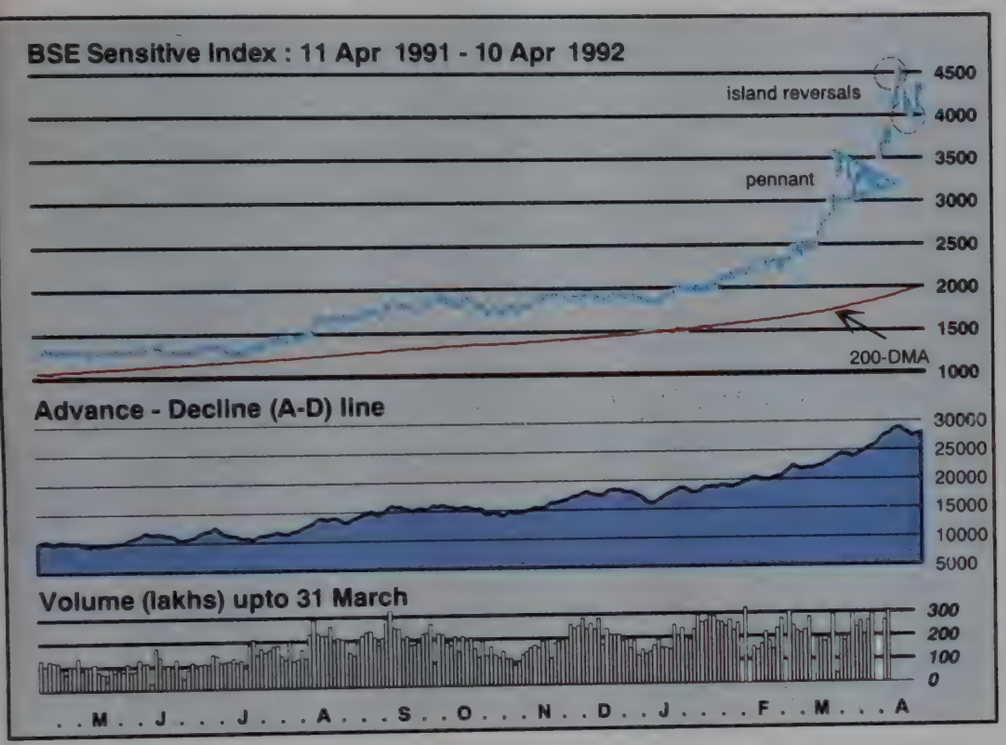
It had been mentioned last fortnight that the Sensex and the NI were both in unconfirmed pennant-like formations, which would have given the former a target of almost 5,000, if it worked.

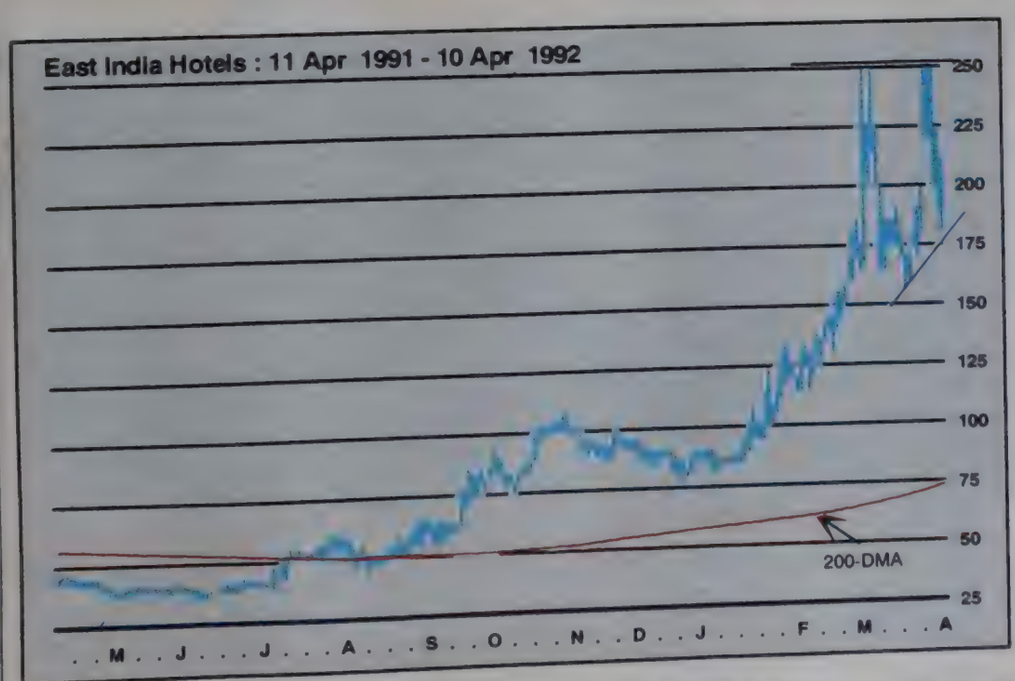
The market apparently started off the review fortnight with all intentions of confirming the pennant, with the Sensex recording a 300-point jump to close above 4,000 for the first time. The indices continued to surge ahead in leaps and bounds, until 2 April, when the entire day's trading range was isolated from the preceding day with gaps in both indices. The Sensex went up to 4,546.58 on the day, only to close at its low of 4,387.76. The NI, too, went up to its all-time high of 2,048.97, before receding to close at 1,991.11.

The next day's trading bar made a downside gap, forming a rather distinct island reversal. Such a pattern should theoretically be confirmed with a distinct increase in volume. Unfortunately, volume data has been coming in very slowly of late as a consequence of the increased activity in the exchange. The last data available was for 31 March.

This island reversal certainly implies an exhaustion of the uptrend, some 500 points before the pennant target could be met. The reversal, however, could mean almost anything. The market could either retrace the entire minor move, sending the Sensex down to 3,100-3,150 (where it broke out of the pennant), or it could be the genesis of a new chart pattern — possibly a triangle or a rectangle — which in turn could be a continuation or a reversal pattern. If either of these events were to occur, the pennant formation would have to be considered a failure. Even if the market were to get to 5,000 shortly, it would not be a consequence of the pennant.

As it turned out, the decline was also abruptly halted five calendar days later with the appearance of yet another island reversal — this time of the bottom variety. The Sensex, meanwhile, had declined to 3,930.64





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Satyam Computers today ranks amongst the leading software exporters in the country having executed numerous consultancy assignments in the U.S.A. and Europe. Realising the vast potential of the high value-addition software export business, Satyam has already commissioned its first Software Technology Park in Madras. It now plans to set up another Park on a sprawling campus at Hyderabad. With an investment of Rs.160 million, it will be the largest of its kind in India, with state-of-the-art computers and communication facilities and the pick of India's software expertise.

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The Hyderabad Park will have a dedicated communication facility - a 2 megabit IBS Earth Station connected to large Token Ring and Ethernet networks of high end workstations and powerful computers. So, Satyam need not invest in expensive mainframe systems and yet be able to directly access large computers at clients sites anywhere in the world using this high speed satellite communication link. As a result, the Company will be ideally placed to exploit the fast growing off-shore software business.

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Satyam has already made a dent in this world market with a long term contract with a well-known Rs.20,000 crore US company — ranked 62nd on Fortune 500 list. Several orders received from the company are currently under execution. This will establish the Company's credentials with the most demanding customers worldwide.

The global software market is worth over Rs.300,000 crores currently and is expected to touch Rs.800,000 crores by 1996. India's share of this market is a mere Rs.350 crores. Undoubtedly, the potential is tremendous and Satyam is all set to cash in on this international opportunity.

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PRESSMAN

— a total loss of 615.94 points. This amounted to a fall of just under 25% of the rally's gains.

The two island reversals appearing in quick succession raise the possibility of the formation of some pattern in the 3,900-4,500 range, for instance that of a rectangle or a triangle, or even a broadening formation. Island reversals often occur frequently within formations, as the moves may keep changing direction quite swiftly. If some formation does develop, we will have to await a breakout before forecasting the direction of the next move. The advance-decline (A-D) line can give us a clue if it chooses to gain or lose strength while the indices stagnate. Of course, the indices could just as well soar to new highs, which would end the formation hypothesis completely.

The 200-day moving averages (200-dmas) of the two indices continue in their vain attempt to catch up, and are now at 1,989.69 for the Sensex and 936.50 for the NI.

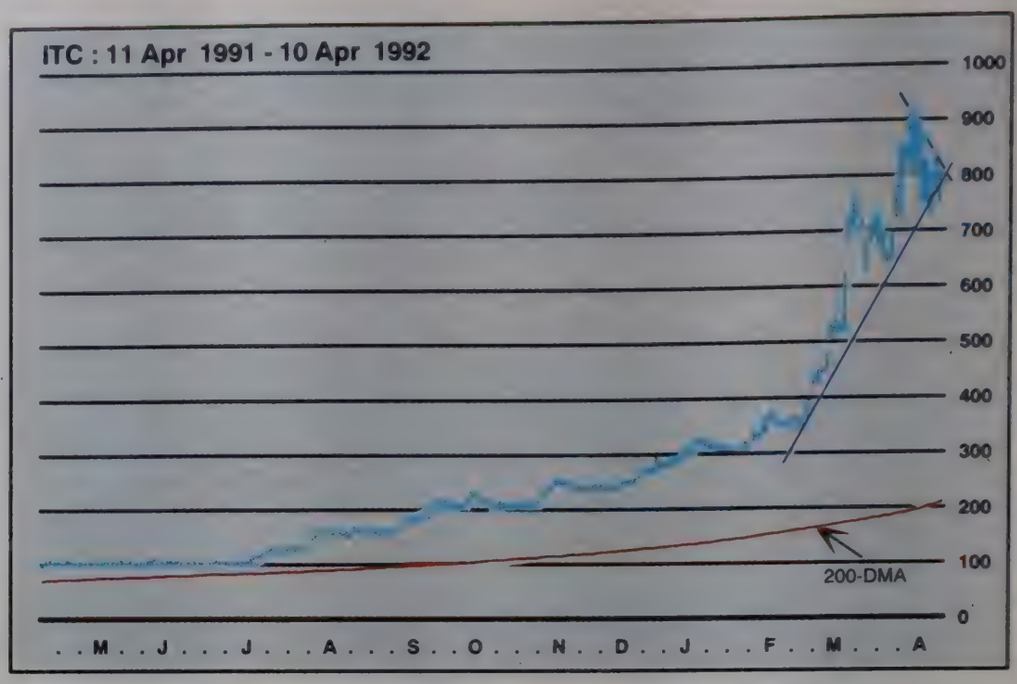
The recent decline — initiated by the first island reversal — has opened up some possibilities in individual scrips as well. **East India Hotels**, for instance, has now shown clear resistance at Rs 250 points. With the aid of a short ascending trendline, we have the picture of an ascending triangle as well, which should see it to at least Rs 300 if the expected breakout past Rs 250 occurs. The stock's 200-dma is Rs 91.51.

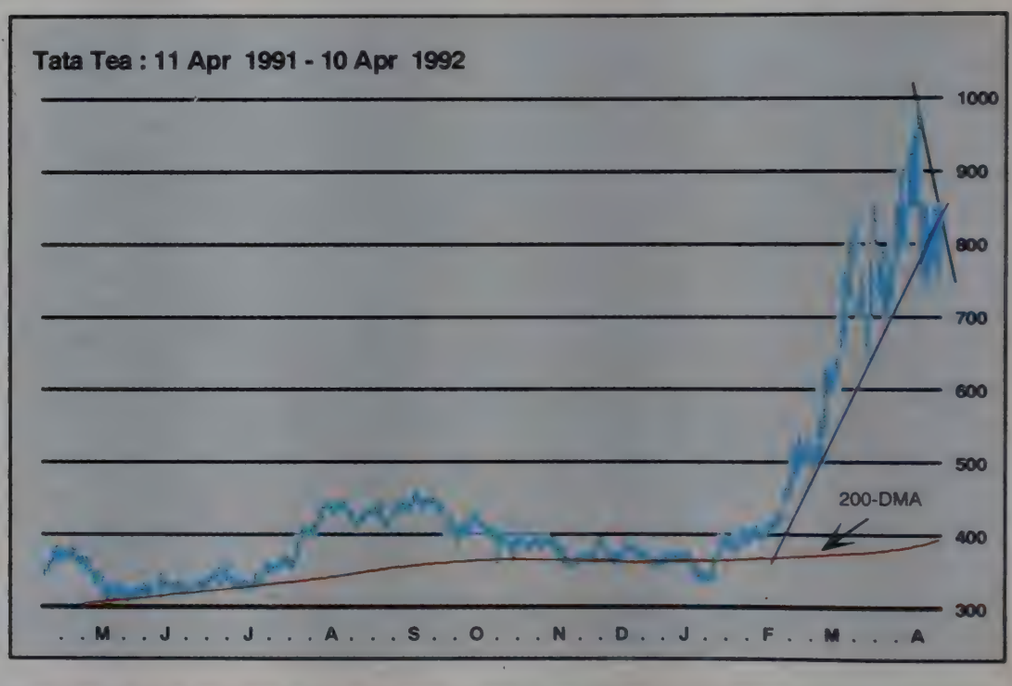
ITC has become one of the first A group stocks to violate the ascending trendline that accompanied its rise in the recent rally. Though it may now be in an intermediate level decline, there is no doubt about its longer term uptrend, with its rising 200-dma of Rs 274.31. It may be a buy for short and intermediate trend traders once it violates its descending trendline.

Tata Tea has suffered the same fate as ITC, and the same recommendation holds. The stock has a rising 200-dma of Rs 440.27.

Zuari Agro has run into resistance at Rs 325, if only closing prices are considered, which gives us a picture of an ascending triangle. If intra-day highs are also taken into account, we have a trend channel. A close above Rs 325 would constitute a breakout for the stock, which has a rising 200-dma of Rs 157.27.

• *The author runs Smartcharts, which offers chart services and technical analysis research*







'REDDY'ING FOR A NEW ERA

He's been an ever ready and go-getting player in the Indian drug industry. Besides, Anji K. Reddy, founder of the Hyderabad-based company Dr Reddy's Labs (DRL), has thrashed even behemothic multinationals on their home turf. And he has chalked up gee-whiz growth rates for his group by jumping into niches and perfecting the ability to produce and market the "best, the fastest and the cheapest."

What has also helped Reddy, apart from a host of others, is the fact that India recognises process patents alone — as against product patents awarded by western countries. Consequently, any drug developed by an overseas patent holder after splurging millions of dollars and hours on research, can be made by an Indian company as long as the manufacturing process is different. And because they bear no development expenses Indian entrepreneurs can sell at lower prices worldwide, beating back the big boys.

DRL has benefited immensely from this. Today it is the world's second-largest manufacturer of ibuprofen. The same is the case with ranitidine, a drug that transformed the company from a domestic power into a global player, and ciprofloxacin which it has been producing for only the past couple of years.

"Technology-wise we are very strong," explains managing director M.P. Chary. "We have what is a pharmaceuticals supermarket within the company. Pick up any product worldwide and it will be available with us." Reddy adds: "We are cost-competitive, we are technologically competent and we are fast — these have been the secrets of our success over the years. Within six months of the introduction of any drug in Europe, we would be able to duplicate the same in India."

Simple strategy. DRL's business strategy in the domestic market has been fairly simple: produce the drug at a low price, introduce it for mass consumption, flood the market, and thrive on low margins and high volumes. "Even though only 30% of the Indian population consumes drugs and pharmaceuticals, the quantum of consumption equals that of America's," says Reddy.

However, Reddy's speciality of producing the latest in medicine at the cheapest price and beating the pioneers at their own game in the non-patented countries is drawing increasing international attention. The multinationals are livid at this infringement of intellectual rights, insisting that India accept the draft prepared by Arthur Dunkel and gradually phase out the production of patented drugs.



REDDY: *Aiming for a hat-trick*

"Okay," concedes Reddy, "I am not too proud of what I am doing, which is essentially a duplicating job, but also look at it from the other point of view. If drugs are to be priced according to what the multinationals would want the consumers to pay, few people in this country will be able to afford them. The 30% consumption figure I mentioned earlier will come down to 10% once we accept the Dunkel draft."

The result is that in all probability India will have to stop manufacturing patented drugs by 2003 ("it would actually become effective from 1998," says Reddy), leaving established manufacturers the choice to either produce non-patented drugs or down shutters. "There is a strong possibility that we could continue the manufacture of drugs whose patents have expired," says Reddy. "But there is also the possibility that we could participate in the development of new drugs along with multinationals. I mean, if we cannot fight them, then let us at least join them."

Clear vision. Reddy has a clear vision of how he would like to get the better of the Dunkel draft. For one thing, he is investing substantially in R&D. Following this, he intends to reverse the flow of pharmaceutical technology — Reddy is keen on setting up a plant in the US. "We will finish 90% of the job in India, export the stuff and do the 10% finishing job at our plant in the US. We already have FDA clearance for ibuprofen, methyldopa, cipro and enrofloxacin, so there should be few problems for us. In the next year-and-a-half we should be in business in the US."

The result of DRL's emphasis in producing newer drugs is that its turnover has been doing the rope trick over the past few years. Sales in 1989-90 were Rs 26.06 crore; in 1990-91 they jumped to Rs 50.93 crore and the 1991-92 target is close to Rs 100 crore. "We would like to make it a hat-trick of increasing our turnover by 100% in 1992-93," says Chary. Reddy figures that the company will clock a Rs 150 crore turnover in 1992-93 'at least,' but would rather set a target of Rs 200 crore. "We are launching the painkiller Ketorolac shortly, and an anti-asthma drug called Salmeterol which should be superior to Ventolin."

If you are the bottomline type, do a quick calculation. On a turnover of Rs 42.54 crore for the first half of 1991-92, DRL registered a 10% gross margin. Should this margin remain intact for 1992-93 on sales of Rs 175 crore, DRL could finish with a post-tax (25% tax burden) profit of Rs 13 crore on an equity capital of Rs 3.28 crore. The stock was quoted at Rs 375 on the Bombay stock exchange on 3 April. Any takers?

□ Mudar Patherya

Will Gatt exempt bananas from tariff?

FRUITY PUNCHES

The European Commission's bid to unify the banana trade may wreck the Uruguay round

First it was beef, then rice. Now a squabble about another, squishier sort of food looks set to mock years of efforts to extend the free-trade regime of the General Agreement on Tariff and Trade (Gatt). Most of the European Community's (EC's) 12 member countries have their own controls on banana imports. In an attempt to unify the EC banana market, the European Commission may exacerbate the bitter confrontation over farm trade which has threatened to wreck the Uruguay round, the Gatt's five-year-old global-trade talks.

Two sorts of banana now enter the EC. Britain, France and Spain buy small and expensive bananas from the African, Caribbean and Pacific (ACP) countries that are tied to the EC by the Lome Convention, a trade agreement, and from islands such as Guadeloupe, Martinique and the Canaries, which belong to EC members. Other EC countries mainly buy the large and cheap bananas harvested by multinationals in central America, known as the "dollar-zone" bananas. As a result, bananas are sold for a wide variety of prices within the EC. Dollar-zone importers pay a duty of 20%, except for bananas entering Germany, which are duty-free. In 1990, dollar-zone producers sold about 2.2 million tonnes, and ACP and EC producers sold 1.2 million tonnes.

Free banana circulation. The commission has argued for four years about how to allow the free circulation of bananas within the EC's single market without letting dollar-zone producers grab all sales. Last autumn, officials came up with a plan for a ten-year regime that would rely on quotas, plus some tariffs on dollar-zone imports, in order to guarantee that ACP and EC producers sell all that they grow.

But none of this fits with the Gatt's admirable policy of "tariffication," which converts quotas and other restrictions into tariffs that are easier to measure, and so to negotiate away. So Frans Andriessen and Ray MacSharry, the EC's trade and farm commissioners, came up with a plan that could probably meet Gatt requirements. It relies on punitive tariffs, as much as 350 ECUs per tonne, on dollar-zone imports beyond 1.4 million tonnes.

Either plan would oblige German consumers to pay about 50% more for their bananas. This is no laughing matter. The Germans eat a third of all EC imports, and bananas became a symbol of German unity when many east Germans were seen returning home with armloads of the coveted fruit after the Berlin Wall fell in November 1989.

So Martin Bangemann, the German commissioner for the single market, put forward a third plan under which bananas of all sorts would face a modest tariff of 20%. The tariff's revenue would be spent on helping ACP and EC producers to modernise their economies.

The other commissioners turned this down, pointing out that the Lome Convention commits the EC to supporting banana production in ACP countries. The commission and the governments of Britain and France also agree with the politicians in these countries who claim that, illegal drugs apart, they have few other cash crops, and that they will never be able to compete on an equal footing with the big plantations of dollar-zone banana producers. Take the Windward Isles, Britain's biggest supplier; 25,000 small family plots on steep slopes grow the bananas that produce 90% of export earnings.

The commission is due to choose between the other two plans, stressing quotas or tariffication. The producers of EC and ACP bananas, fearing that under Gatt rules tariffs on competing bananas would gradually come down, have lobbied hard for quotas.

Jacques Delors, the commission president wants to oblige, as does a narrow majority of his colleagues. But what about Gatt? "The success of the Uruguay round does not depend on bananas," says an aide to Delors. "Gatt could make an exception for bananas, just as it is likely to exempt the Japanese from tariffication of rice imports." Possibly. But with the round hanging by a thread, does the commission really want to choose a plan for bananas that brazenly flouts the Gatt's philosophy?

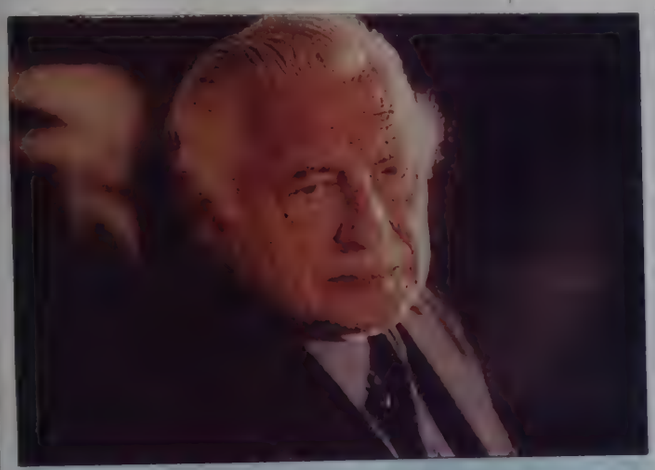
—*The Economist.*



The Agnellis admit defeat in their battle for Perrier.

CRUCIAL BLOW

After several months spent in battling Nestle, a Swiss food group, for control of Source Perrier, a French producer of sparkling water, Italy's Agnelli family has had enough. On 24 March Giovanni Agnelli, the head of the Italian dynasty, admitted defeat. Nestle said it would lift its own bid for the firm by 15% of FFr15.4 billion (Rs 8,562 crore). Though the European Commission will examine Nestle's acquisition on competition grounds, the deal will almost certainly go ahead in some form. As for the Agnellis, they should make a tidy profit on their Perrier stake. But the defeat is a blow to their plans to diversify into the food business and into France. Worse, it is a blow that was partly inflicted by one Agnelli holding company on another.



GIOVANNI AGNELLI: *Had enough*

The Agnellis' desire to enter new industries has grown as the performance of Fiat, their core car and engineering business, has deteriorated. Fiat's operating profits plunged 70% in 1991, mainly because of stiff competition in cars. Although its costs are among the lowest in Europe, Fiat depends on its home market for two-thirds of its sales. But over the past four years its marketshare has shrunk from 60% to 45% as rivals like Ford have increased sales there.

Fiat will soon face even tougher competition as restrictions on Japanese car imports are eased in Italy. No wonder then that the Agnelli family has been diversifying fast. It has done so via two holding companies IFIL and IFINT. IFIL which has $2.2 billion worth of assets concentrates on long-term investments in food and tourism. It operates mainly in Italy though it has also taken stakes in a handful of French companies such as BSN, a food group, and Saint Louis, a food and paper firm.

Opportunistic investor. IFINT, with $1.5 billion of assets, is an opportunistic investor in a variety of fields including car components, engineering and property. Its main aim is to diversify geographically. Some 40% of its assets are in America, and another 30% in Europe. In France it bought into Albatros Investissement, an industrial holding firm, and a trading company Safic Alcan. Fiat has also diversified into France, where it has swapped shares and some business with Alcatel Alsthom, an engineering company.

Until the Perrier spat, the Agnellis had always worked closely with leading bankers and industrialists in other countries, especially France. And they were content to take small stakes in companies on a friendly basis. Indeed, Umberto Agnelli, Giovanni's younger brother and chairman of IFIL, is said to want to create a form of Japanese-style *keiretsu* group in which European companies cooperate closely without having to buy large stakes in one another.

The snag, according to one French industrialist close to the Agnellis, is that IFINT, which is chaired by Giovanni Agnelli and managed by Gianluigi Gabetti, has a more aggressive, short-term strategy which can conflict with IFIL's long-term view. Gabetti admits that the two units may compete, particularly in France, but says that "what (the Agnellis) don't want is for the competition to become a conflict."

Yet, by bidding for Exor, the holding company which controls 29% of Perrier's shares, IFINT sparked off a row whose repercussions will make it harder for IFIL to forge long-term alliances in France, which had looked like a promising market. To underline this, BSN, which sided with Nestle during the bid battle, stressed again this week that it did not want the Agnellis to raise their stake in it.

The Perrier debacle suggests that a little more coordination between the Agnelli holding companies might not be such a bad thing

Why did the Agnellis need two holding companies? Gabetti says that the Italians "don't want to look like a monolithic group," rigid and bureaucratic. But the Perrier debacle suggests that little more coordination back in Turin might not be such a bad thing after all. — *The Economist.*

Rival groups bid to launch a revolutionary telephone service.

BRIDGING THE GLOBE

"We are bringing dial-tone to places no dial-tone has gone before," declares Iridium's boss, Bob Kinzie. Well, maybe some day, Captain Kirk. A subsidiary of Motorola, an American telecom-equipment manufacturer, Iridium plans to spend over $3 billion (Rs 9,342 crore) launching a telephone service that will use 77 satellites to let customers use pocket-phones to call from anywhere to anywhere on the earth's surface. This would be a technical marvel. But governments may yet stymie Iridium's bold scheme, and nine others like it that are due to be launched over the next five years. Moreover, customers may balk at the fees required to make such a service profitable.

Iridium is the most hyped of all the schemes. Some of the others aspire to

Iridium's goal of a seamless worldwide telephone system; others just offer messaging and so-called "tracking" services, which both tell users where they are and transmit their location to others. To work, all these services need an allocation from governments of frequencies in the radio spectrum. In early March the World Administrative Radio Conference, an assembly of the world's radio-wave regulators, gave it to them: one group of frequencies for companies interested in voice, and a set of others near the FM range for messaging systems. Late this year or in early 1993, the US Federal Communications Commission (FCC) will decide which of the American contenders to approve. For most consortia, that will be the first, and perhaps most important step towards launching a full worldwide service. In the run-up, contestants are busy plugging their own schemes at the expense of their rivals.



Lined up against Iridium for a voice allocation are Globalstar, a system of 48 satellites developed by Loral, an aerospace company, and two less ambitious systems offered by groups of smaller firms — Aries and Ellipso. TRW, a defence contractor that has already built a satellite-telephone system for the Pentagon, plans a civilian one called Odyssey to cover the US alone.

Two firms have toe-holds in the market already. Inmarsat, an unwieldy treaty organisation controlled by 64 telephone operators, mostly government-owned, wants to expand out of its current business of supplying communications to ships into the bigger market for mobile communications on land. A consortium called American Mobile Satellite Corporation (AMSC) won a licence two years ago to provide satellite-telephone services in America alone. Though it will be able to offer a car-phone service years before Iridium, as well as similar services in Mexico and Canada, its sets will be too big to be used as handheld terminals.

The would-be messagers are led by Orbcomm, part of Orbital Sciences, a Virginia-based company that makes launch vehicles and other space paraphernalia. At present, messaging and tracking services based on satellites — such as that offered by Qualcomm, Loral's partner in Globalstar — are expensive. Sold to trucking companies, receivers cost $4,000. Orbcomm aims to provide a service cheap and handy enough for motorists to use.

Low-orbit satellites. All but one of the new groups waiting for approval from the FCC plan to put their satellites in low orbits, 460 miles (7740 km) above the ground. Today's communication satellites, including those used for Qualcomm's tracking service and those planned by Inmarsat and AMSC for their mobile-telephone services, fly 22,500 miles high where it takes them 24 hours to circle the world. From the ground, they appear to be stationary in the sky, which is convenient if you are pointing a dish at them, but no great advantage if your set sends weak signals in all directions, as a mobile telephone does. To pick up those murmurs, the newcomers feel, you need to be nearby — hence the low orbits favoured by their satellite systems. Established firms disagree. Hughes Aircraft, a partner in AMSC, has suggested a high-orbiting system that might accomplish with three complex and sensitive satellites much of what Iridium does with 77 simpler ones.

The problem with low-orbit satellites is that they move quickly across the sky, so lots of them are needed to ensure that one is listening everywhere all the time. To keep costs down, Iridium plans to build small, clever satellites for $13 million each — one-tenth the current cost, in relation to weight, of the cheapest traditional satellites. Lockheed, which is in charge of building Iridium's satellites, may find this a tall order, especially since the firm is accustomed to the technically tough but financially forgiving world of government contracting. Lockheed's challenge is all the greater because Iridium requires new technologies, rather than old technologies made much cheaper and put into new orbits. Unlike the other systems, which will use satellites simply to relay signals to and from ground-based exchanges, Iridium will bounce messages directly from satellite to satellite before sending them back to earth.

Nevertheless there are some arguments in Lockheed's favour. Much of the cost of current satellites comes from getting their failure rates as low as possible — which means using the best components and lots of backup systems. In Iridium, the use of so many satellites means that more risks can be taken with each individual satellite, allowing them, unlike today's bespoke models, to be mass-produced. Hence Iridium's claim that its satellite will cost only $13 million, while TRW estimates that its more traditional Odyssey satellites, which will be in higher orbits, will cost $50 million a piece.

The firm that may have already come closest to doing what Iridium plans is Defense Sciences International, a member of the competing Aries consortium. Defense Sciences has built 17 micro satellites (smaller even than Iridium's), including a constellation of seven tiny low-orbit communications satellites for the Pentagon. Like all of Iridium's competitors, the Aries system will be simpler and cheaper, with all the switching of telephone calls and messages happening on the ground. Only Iridium wants to put as much infrastructure as possible aloft.

To support just its operating and financing cost, reckoned to be $1 billion for the first two years of service, Iridium needs to find a large market. Though it talks a great deal about its usefulness to third world countries with decrepit land-based telephone systems, it actually expects most customers to be globe-trotting first-world businessmen. Similarly, rivals plan to concentrate on the lucrative American market, at least at first.

Optimistic forecast. Even taking this caution into account, Iridium's forecasts look optimistic. If it goes into operation in 1997 as planned, it hopes to have 1.8 million subscribers by 2001 and 3.2 million by 2006. Though numbers are growing fast, today there are only 13.5 million subscribers around the world for the current land-based mobile-telephone services, despite call prices of only one-seventh of the $3 a minute Iridium plans to charge. At $100-150 a month, Iridium's usage estimates are hopeful too. Today, the average American mobile-telephone bill is $72 a month. But "the top 2% are heavy users and those are the ones we'll be attracting," argues Kinzie, Iridium's boss.

The political hurdles facing all 10 consortia are just as daunting as the commercial and technical ones. To sell their services abroad, they must persuade governments, most of whom still reserve all voice telephony for a state-owned monopoly, to open their markets to new competition. To do that, firms are at pains to reassure existing telephone companies. "Iridium creates new revenues, it doesn't take revenue away from anything," insists Kinzie. Bernard Schwartz, Loral's boss, argues that "everyone will benefit."

To create allies, both firms are bringing in foreign firms as investors and suppliers. Loral hopes that the clutch of European hardware firms — Alcatel, Alenia and Aerospatiale — which already own 49% of the company's satellite-making subsidiary, Space Systems Loral, will put up some of the money for Globalstar. Iridium has hired British Aerospace, Deutche Aerospace and France's Matra Marconi to help Lockheed with its satellites. Japan's KDD and Hongkong's Hutchison Whampoa are interested in buying stakes. Though a preliminary $175 million private placement failed last year, Motorola hopes to sell 85% of Iridium to other investors by the end of September.

If flagged off, the launch of a seamless worldwide telephone system would indeed be a technical marvel

All this consorting may be good politics and financially necessary, but it does not bode well for solving the technical problems all the consortia still face. Getting the best engineering solutions at low costs is difficult even in a tightly organised, homogeneous group — such as the legendary "skunk works" in which Lockheed used to do much of its most secret and innovative military work. The firms will have to spread their profits around, too. Instead of serving users directly, Iridium and Globalstar promise to let local telephone companies bill customers and take a slice of call revenues. Handsets will use the ordinary terrestrial network for mobile telephones where available, only switching to satellite when the terrestrial network is out of reach. Such concessions could lose the satellite consortia more than just a slice of their revenues. With old-style monopoly telephone operators still lodged between them and the market, selling such a revolutionary new service to sceptical consumers may not be easy. — *The Economist.*

China's 1992 budget is far from reformist.

NO BREAKTHROUGH

Despite recent reformist rhetoric, China's newly unveiled budget for 1992 indicates no real readiness for a revamp of the country's tottering state-owned enterprises, commodity and labour markets, or fiscal imbalance. Rather, the communist leadership, which is gearing up for an expected succession struggle at the year-end communist party congress, is planning to lavish capital spending and subsidies upon the military, the bureaucracy, the peasantry and the education sector. Overall expenditure is to increase 12%, or double projected gross domestic product (GDP) growth, while revenue is to rise 5%.

The upshot will be a deficit expansion to a record Rmb 79.4 billion (Rs 48,890 crore) from Rmb 66.6 billion last year once figures are adjusted to correct the Chinese practice of including domestic and foreign debt issues as revenue. But this figure assumes that the government can stick to fiscal targets. In the past two years, the deficit's expansion outpaced government projections by nearly 40%.

New government domestic debt undertakings this year are to rise almost 25% from year-earlier levels, which topped targets by nearly a third. Part of the point of this borrowing, finance minister Wang Bingquan explained in his budget presentation to the National People's Congress (NPC) on 21 March, is to postpone the peak repayment period for debt.

Even so, domestic debt servicing this year will more than double to account for 7% of spending. In order to market such a large volume of new treasury bonds, Wang called on "all localities... and departments... to ensure that the bond issue is a complete success", evoking memories of enforced bond placements by payroll deduction a year or two ago.

The budget revives the spectre of inflation with its prospect of stepped-up government spending and credit expansion, higher interest rates and price rises for some housing, grains and other basic foodstuffs. The last round of double-digit inflation, during the reformist heyday, of late eighties, evoked a three-year economic retrenchment that brought premier Li Peng and his conservative coterie to power.

In his yearly summary address to the NPC on 20 March, Li congratulated his administration on keeping inflation down to just 2.9% while notching up a 7% gross national product (GNP) growth rate. According to recent pronouncements by patriarch Deng Xioping, these achievements should set the stage for an end to retrenchment and an acceleration of reform, with GNP growth rising to nearly 10%.

Li paid due lip-service to "embrac-

ing the present opportunity," but he reaffirmed the 6% GNP growth target, while also pledging to cap retail prices at an increase of no more than 6%. Nor did he endorse a full-scale rollback of state interventionist powers assumed in the past three years. Rather, Li vaguely said the government should "continue to implement those that are still useful and revise... those that are no longer appropriate."

State control. Wang, in his budget presentation, was less reticent about the rationale for continued tight state control. "Otherwise," the finance minister said, "the problem in the distribution of the national income — too much of the increase in revenue ending up in private hands — will only get worse."

The government hopes to channelise its largesse to groups with political clout or trouble-making potential in any succession battles. The military, for example, has enjoyed smart increases in its appropriations ever since it threw in its lot with the leadership to quell the pro-democracy movement in 1989.

In addition to the budgeted 13.9% increase in defence spending, the military is likely to benefit from part of the Rmb 62 billion earmarked for education and the Rmb 19 billion set aside for science and technology. The education and science and technology allotments provide potential slush funds for other government priorities, from ideological indoctrination at universities to the funding of industrial research at state enterprises.

The budget, however, did not stint on enterprise-development allocations. Wang proposed a 12.4% increase in "funds to tap the potential of existing enterprises, upgrade technology and subsidise the trial manufacture of new products."

An economic attache at a Western embassy says the end of the retrenchment period could lead to more capital-equipment orders from industrialised countries. But he worries that enterprise-development funds are likely to wind up as working capital to bail out public industries, 40% of which run in the red.

Aside from Rmb 19 billion of enterprise-development funds, the new budget earmarks more than Rmb 50 billion of subsidies for public-enterprise losses, a level unchanged from last year. Inter-corporate arrears in the public sector also remain intractable at about Rmb 200 billion, despite government efforts to clear the logjam.

Wang announced Rmb 5 billion worth of tax exemptions for public enterprises, a sum scheduled for substantial annual increases in the next three years until the overall company tax rate is reduced to 33% from 55%. The tax cuts, as well as increased working-capital allotments for state enterprises, are to come largely from local finances rather than from central government coffers, a first step towards Peking's avowed goal of cutting a better deal for itself on revenue-sharing with provinces.



LI: *Maintaining status quo*

Pumped full of government resources, the public sector appears to have little to fear from recently enacted bankruptcy laws. Li, while making the customary nod to industrial restructuring, advocated corporate mergers, retooling and market repositioning as the remedies of choice for sick state companies, with outright closure only as a last resort. At such a politically charged juncture, the government hardly cares to court mass unemployment.

Nor can the government afford a sharp downturn in real incomes, either in the cities or in the countryside. This poses a dilemma, as urban and rural interests are at odds over food prices. The government plans to close the gap between the acquisition price and the market price for food grain, a boost for farm incomes.

But to cushion the blow for its other important constituencies, it will provide grain subsidies for bureaucrats, military servicemen and students. Further income sweeteners include enhanced seniority pay and bonuses for government employees.

Unsurprisingly, administrative costs are to be the fastest-growing expenditure with a 15.5% increase to Rmb 36.6 billion, despite a blanket curb on equipment purchases for government offices. Budgetary largesse, however, did not extend to all sectors.

Tax collection. To bolster flagging revenue and to distribute more evenly the burden of government finance, which now falls disproportionately on public-sector companies, Wang promised "to pay closer attention to tax collection among township and rural enterprises, collectively-owned enterprises, private enterprises, foreign-funded enterprises and self-employed businessmen."

Since each of these groups significantly outperforms the public sector, Wang's fiscal zeal could have a dampening effect on economic growth. His assertion of stricter control of tax-incentive handouts by local officials in their attempts to lure nascent industries could also affect the economy. Starting this year, he said, only the central government will have the authority to grant tax reductions.

In 1991, the government experimented with regulations to sort out the blurred distinctions among the tax, loan and profit-sharing obligations of enterprises, a holdover from the days of monolithic state ownership. These innovations will be widely extended in 1992, Wang said, with tax obligations taking precedence.

This year, the government has also instituted a distinction between the "regular" and "construction" budgets, covering recurrent and developmental expenses, respectively. The stated object is to impose fiscal discipline, as the regular budget will not be allowed to run at a deficit. This surplus, along with any incremental borrowing, will be used to fund the construction budget. But the system is new and, as Wang admits, "not completely scientific and rational this time." — *Far Eastern Economic Review.*

NEWS BRIEFS

■ The US-based chemical conglomerate **Du Pont** is undertaking drastic restructuring measures to overhaul its "bloated bureaucracy," reports *The Asian Wall Street Journal*. The company also plans to pare its research spending. Despite spending more than $13 billion Du Pont has failed to come out with a single new blockbuster product or even a major innovation for the past 10 years.

The company needs a top-to-bottom overhaul, says CEO Edgar S. Woolard Jr. According to him, Du Pont is a laggard in "converting research into products that can benefit our customers." As part of the restructuring, Woolard is cutting jobs and has unveiled a plan to slash annual costs by $1 billion within two years. Already 5,500 of its employees have taken early retirement and more cuts are expected.

The company aims to increase pretax profits by a further $2 billion in five years by improving its manufacturing efficiency and reducing its plants' turnaround time between processing runs.

■ **Cabot Corp** of the US, the world's largest producer of carbon black, is making a foray into Czechoslovakia. The company is setting up a joint venture with Czechoslovakia's only coal tar processor to produce carbon black, a raw material used in the manufacture of tyres and rubber products.

Cabot will have a 52% stake in the $90 million joint venture which has received a $20 million loan from the International Finance Corp, the private-sector arm of the World Bank.

■ Compagnie Financiere Delmas-Vieljeux (**CFDV**), France's leading shipping group, has earned the wrath of the European Commission for its involvement in a cartel which allegedly eliminated competition between freight lines plying between France and west Africa. The Commission is likely to impose a stiff fine and is also expected to impose conditions on the operations of the group's freight services between France and French-speaking west African countries.

■ The crumbling of barriers in Europe has had its effect on the **Swedish power industry**. This Scandinavian country plans to open up its electricity market. In future, customers will be free to shop around for suppliers offering the lowest electricity rates, and power companies will be allowed to import and export electricity to neighbouring countries.

The Swedish government has major plans for Vattenfall, the state-owned electricity company which supplies about half the country's electricity. The company is being prepared for wider ownership as part of the government's ambitious privatisation programme.

■ **Russia** will become a full-fledged member of the International Monetary Fund (**IMF**) soon following the agreement recently arrived at by the fund's executive directors on terms of its accession, reports *Financial Times*. The development could be crucial for the survival of Boris Yeltsin's government, which is under attack due to the worsening economic situation.

YELTSIN: *Saved by the IMF?*



According to the terms, Russia has been granted a 3% quota of the fund, enabling it to draw approximately $4 billion from IMF resources. It will be the eighth-largest regular member-nation, behind Italy and Canada and ahead of China. The 3% figure is a compromise between the 2.5% share originally proposed by the G7 leading industrial countries and the 4%-plus stake sought by Russia.

■ Asea Brown Boveri (**ABB**), Europe's largest electrical engineering group, is planning to nurse the ailing Brel, Britain's largest railway equipment manufacturer, back to health. ABB has increased its stake in Brel — formerly British Raul Engineering Ltd — to 80% by acquiring Trafalgar House's 40% share. The company's acquisition coincides with British Rail's announcement that it has found the requisite finance to place a £130 million order for new coaches which could save 1,500 jobs at Brel in York.

Six months ago, ABB had appointed Bo Sodersten as the new CEO, replacing Peter Holdstock. Since then Brel has cut 1,000 jobs and substantially reorganised its new construction division.

■ The Asian Development Bank (**ADB**) has approved a $133 million loan to China to finance the expansion of a steel mill in Shandong province. The Manila-based bank said the loan, from the bank's ordinary capital resources, is repayable over 24 years, including a four-year grace period.

The project is expected to produce 7 lakh tonnes of liquid steel and 6.28 lakh tonnes of finished-steel products. The mill's current output is 2.4 lakh tonnes of semi-finished hot-rolled carbon steel and low-alloy strips.

■ **France** is poised for higher growth than most of its European partners this year and next year. It should be in a good position to benefit from any upturn in the world economy, according to new French prime minister Pierre Beregovoy.

Beregovoy, who was the finance and industry minister before taking over the mantle from Edith Cresson, says continuing his policy of imposing a tight control on inflation and public spending will be critical to France's growth. The official growth predicted this year is 2%, followed by 2.6% in 1993. But private sector economists are predicting slightly lower growth rates this year.

PICK OF THE JOBS

CHIEF EXECUTIVE

Organisation: A well-established multi-divisional, multi-locational group planning to make a foray into franchising.
Requirements: An MBA, preferably from a premier institute; 35-40 years; with 12-15 years' experience in a consumer goods industry, of which the last five should have been as a profit centre head; with a strong track record. Familiarity with franchising will be an advantage.
Other details: Will be based in a metro as a profit centre head.
Remuneration: No constraint for the right candidate.
Enquiries to: The Concept, 67 White Hall, 143 August Kranti Marg, Bombay 400 036. Tel: 3674422/23.



MANAGING DIRECTOR — FERMENTATION

Organisation: A large, reputed pharmaceutical group.
Requirements: A chemical/biochemical engineer with a background in microbiology; around 40 years; and familiar with plant fermentation.
Other details: Will be a profit centre head; based in a major town in north India.
Remuneration: The best.
Enquiries to: The Concept.

PERSONNEL MANAGER — CORPORATE

Organisation: A professionally-managed chemical multinational.
Requirements: A postgraduate in personnel management from Xavier Labour Relations Institute or Tata Institute of Social Sciences (Bombay); 10-15 years' experience in the personnel and administrative departments.
Other details: Will be based at Bombay.
Remuneration: For the asking, lavish perks, including accommodation.
Enquiries to: Beam Services, 1 Colaba Chambers, 117 Wodehouse Road, Bombay 400 005. Tel: 2150122.

VICE-PRESIDENT — FINANCE

Organisation: A fertiliser company.
Requirements: An ACA/MBA (finance) with 10-15 years' experience (at a senior level) in taxation, finance, accounting, management information systems (MIS) and liaising with banks and financial institutions; good communication skills.
Other details: Will be based at Bombay.
Remuneration: No constraint for the right candidate.
Enquiries to: Beam Services.

CHIEF EXECUTIVE — MUTUAL FUND

Organisation: Multinational-backed company.
Requirements: A high-powered finance professional; between 35-40 years; with relevant experience.
Other details: Will be based at Bombay; will report to the board of directors; will have full responsibility for all aspects of the fund.
Remuneration: Excellent.
Enquiries to: Beam Services.

VICE-PRESIDENTS — FINANCE

Organisation: Blue-chip engineering and pharmaceutical companies.
Requirements: CAs; around 40-45 years; with 10-15 years' experience in finance, budgeting, MIS, accounts, and secretarial matters and capable of dealing with financial institutions.
Other details: Will be based at Bombay/Madras.
Remuneration: Will not be a constraint; house, car.
Enquiries to: Career Placement Services, PB No 8148, Bandra (East), Bombay 400 051.

VICE-PRESIDENT — MARKETING

Organisation: A large and reputed pharmaceutical company.
Requirements: A science/pharma graduate, preferably with an MBA (marketing) from a reputed institute; around 45 years; with 10-15 years' experience in the marketing of pharmaceutical products in a reputed company.
Other details: Will be based at Bombay; is likely to be promoted as a profit centre head of a pharmaceutical division within a few years.
Remuneration: Excellent; house, car.
Enquiries to: Career Placement Services.

PRODUCT SPECIALIST



Organisation: A well-known multinational pharmaceutical company.
Requirements: A PhD or medical graduate with over five years' exposure in R&D and/or marketing.
Other details: Will be based at Bombay. Responsibilities include product management, attending to medical/technical queries, conducting seminars (technical) in India/abroad, guiding the company and participating in new product launches; will be responsible only for very technical products and report to the marketing director.
Remuneration: The best in the industry.
Enquiries to: Jonzehn Services, PB No 9891, Bombay 400 050. Tel: 6420387.

OVERSEAS

FACTORY MANAGER

Organisation: A Thai pharmaceutical company.
Requirements: Preferably a chemical/mechanical engineer; with at least five years' experience in managing a factory (preferably a chemical one) independently.
Other details: Will be based at Bangkok.
Remuneration: Attractive savings potential; perks include bonus, LTA, medical insurance, subsidised school fees and furnished accommodation.
Enquiries to: The Concept.

EXPORT MANAGER

Organisation: A large exporter of consumer electronics.
Requirements: A graduate, preferably an MBA; between 26-32 years; with at least three years' experience in selling; should have a good personality and communication skills.
Other details: Will be based at Hongkong; will report to the managing director; will be required to travel to different countries, mainly Europe, for product promotion.
Remuneration: Very attractive with great savings potential; lavish perks.
Enquiries to: Boyden International, 616 Maker Chambers V, Nariman Point, Bombay 400 021. Tel: 233905, 240377, 2047428.

FINANCIAL CONTROLLER

Organisation: A large exporter of consumer electronics.
Requirements: A CA; around 30 years; well-versed in finance controlling; with at least four-five years' experience in accounts; good exposure to international banking.
Other details: Will be based at Hongkong; will be totally responsible for banking, overlooking accounts, book-keeping and the shipping department; will report to the managing director.
Remuneration: Attractive; house.
Enquiries to: Boyden International.

CHIEF EXECUTIVE



Organisation: A professionally-managed consumer electronics company.
Requirements: A CA or MBA; with about 20 years' experience; must be working as vice-president or finance controller; exposure to marketing and administration.
Other details: Will be based at Bombay; will be in overall charge of marketing, administration, accounts and finance; will report to the managing director.
Remuneration: Around Rs 3.5 lakh per annum.
Enquiries to: Manpower Services, 81 Poddar Chambers, S.A. Brelvi St, Fort, Bombay 400 001. Tel: 259579.

GENERAL MANAGER — FINANCE



Organisation: A multinational pharmaceutical company.
Requirements: A CA/CS/ICWA around 15 years' experience, preferably in a reputed pharmaceutical company.
Other details: Will be based at Bombay.
Remuneration: The best in the industry.
Enquiries to: Manpower Services.

GENERAL MANAGER

Organisation: A company in the field of surface printing technology.
Requirements: An engineering graduate; around 40 years; with 15 years' experience in a chemical process plant.
Other details: Will be based at Aurangabad; will report to the director.
Remuneration: Very attractive; car, house.
Enquiries to: Girish Consultants, Shreenivas, New Osmanpura, Aurangabad 431 005. Tel: 29855.

CHIEF EXECUTIVE



Organisation: A financial services company.
Requirements: A professional banker in his late thirties or early forties; with excellent contacts in industry and banking circles; ability to strategise and implement plans.
Other details: Will be based at Bombay.
Remuneration: Around Rs 5-6 lakh; house, car.
Enquiries to: Personnel Search Services, 71-A 7th floor, Mittal Chambers, Nariman Point, Bombay 400 021. Tel: 2027859, 2020790, 2874164.

□ Indra Gidwani

TAKING NOTES

WALTER E. VIEIRA



In his opus, 50 *Rules to Keep a Client Happy,* author Fred Poppe offers some advice you could do well to remember: "I don't care how great a memory you have. You cannot hope to remember every single item in the myriad of details you have to retain in day-to-day account handling. This is especially so after a lapse of time. Keep a spiral-bound notebook. Date it daily and use it for keeping notes of meetings, phone calls, things that need taking care of and whatever. I've got files and notebooks that go back over a 10-year period. You won't believe how helpful they can be."

The most predictable reaction to this bit of advice could well be: "So what's new; my teacher in primary school told me that way back in 1972. And I still remember it."

That you may. But do you still, or did you ever, practise it? Look around, and you'll be surprised to notice how blatantly this seemingly-obvious task is ignored.

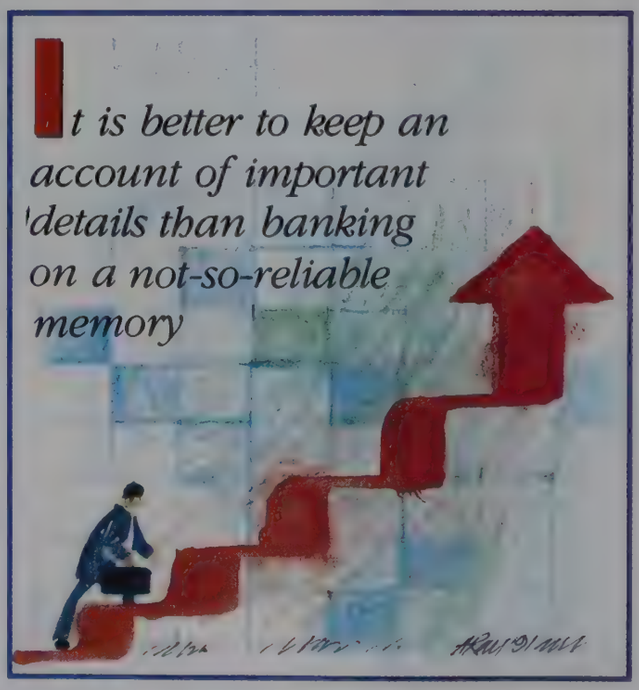
A few years ago, an eminent film producer was in India on a short visit. Some journalists got down to interviewing him. One scribe came prepared with questions written down in a proper sequence. He used a dictaphone and, in addition, also made notes. His sojourn with the producer lasted 25 minutes. On returning to his office, he filed an 'indepth' three-page interview — which was duly carried in his newspaper the next day.

Another journalist came unprepared. He preferred to have a freewheeling conversation. He took no notes, relying totally on his memory, which he always boasted was "photographic." His session with the film producer lasted a full hour. It was an exclusive. However, he could eventually produce only a one-page report. The reason: he had not sieved the material. He had forgotten much of it!

Decades ago, I suffered from the same disease. I would rely on my excellent memory (at least, I thought it was excellent). I would interview five-six candidates through a full morning session. I was reluctant to take notes lest it put the candidate ill at ease or, the other ...me, on guard. And to quicken the ...eld call in the candidates one immediately after the other.

When the last interview of the morning was over, I would get down to reviewing the work done. It wasn't easy. I couldn't remember which candidate said what. Where photographs weren't attached, I couldn't remember what the interviewee looked like — and if I did, I would fail to connect the face with the name.

The late Ian McKinnon, who was managing director of Glaxo India and a very successful executive to boot, always passed on four bits of advice on interviewing candidates (and, of course, followed it himself): be courteous to the candidate; let him do most of the talking; ask for his permission to take notes; and then do so briefly without losing too much eye contact. Some heeded his advice; some didn't. I did and managed to jerk myself out of my overconfidence in my memory.



One of the more memorable moments in my life has been the meeting with Dr Weinstein, the eminent professor of management at INSTEAD, the European college of management near Paris. After we were introduced and concluded our brief tete-a-tete, we exchanged visiting cards. Weinstein looked at mine, studied it, picked out his pen and wrote the date, place and name of the person who introduced us on the card. He then quickly put it in his pocket and continued the conversation after this brief pause. It definitely did teach me a lesson.

I have three large trays containing visiting cards collected over the past 10 years. I review them time and again, generally under pressure, when the cards begin to overflow. Often, I fail to recall whose card I have in my hand, where I had met the person and what made me retain that card for so long. Had I followed Weinstein's simple habit, I would have benefited greatly from the extensive contacts garnered over the years.

I have seen many executives returning from week-long tours spending half a day trying to tally their expenses with the cash in hand. On most occasions, a gap seems to exist. Where did the balance disappear? Instead of trying to remember the fares of the numerous taxi rides, the various amounts spent on snacks and drinks all at the end at one go, wouldn't it be easier for the executive to make notes at regular intervals?

Of course, there are books on improving memory. There are also personal training programmes which improve both mind control and memory. There are correspondence courses advertised in various dailies and magazines. And it's worth investing some time and effort in these courses.

Some years ago, I saw an individual demonstrating his phenomenally trained memory at a rotary meeting where 65 persons were introduced to him. When the last introduction was complete, he, in a single breath, repeated all 65 names in the same sequence — with no fumblings and inaccuracies.

This person is an exception. And isn't making notes far more simpler than attempting the superhuman task of developing prodigious powers of memory? Try remembering that.

• *The author is a Bombay-based management consultant.*

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Dabur India Limited manufactures and markets a wide range of Health Care and Family products. In most categories, it is the market leader. Major brands include Dabur Chyawanprash, Dabur Amla Hair Oil, Hajmola & Red Tooth Powder. The present total turnover of the company is about Rs. 250 crores.

THE JOB

The position is responsible for planning and implementing innovative strategies for achieving ambitious sales objectives through a young team of Regional Managers, Area Managers, Sales Supervisors and Sales Representatives. The position calls for aggressive sales capabilities and effective development of dealer/distribution network.

QUALIFICATIONS

MBA from an Institute of repute with about 10 years of experience in selling mass consumer products out of which 2 to 3 years should be as Regional/Branch Manager.

AGE

Around 35 years.

The organisation encourages initiative and offers attractive remuneration and growth opportunities.

Apply with detailed resume within 10 days to:

THE GENERAL MANAGER (P&A)

Dabur India Limited

Harsha Bhawan

'E' Block, Connaught Place

New Delhi-110 001

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Larsen & Toubro Limited is setting up a joint venture company in collaboration with NIRO AS, Denmark – world leaders in drying technology.

The new venture will market and manufacture a wide range of products including dryers, homogenisers, granulators, evaporating plants... for the dairy, food, pharmaceutical and chemical industries.

A manufacturing unit will soon be set up near Baroda. The Company requires the following personnel:

Company Secretary

Successful candidate will assume charge of secretarial and accounting functions. Job also involves providing management services to the chief executive including performance reporting and analysis of the operations, evaluation of market opportunities, investment decisions...

Qualifications: Chartered Accountants with additional qualifications as ACS.

Experience: 5-10 years in a similar function with reputed medium size companies.

Age: below 35 years. *Ref. No. LTN/1*

Shift In-Charge

Selected persons should be familiar with fabrication/welding processes/techniques, applicable codes and finishing operations involving polishing required for dairy, food processing and chemical plant equipment. Ability to handle labour matters effectively and train new workmen essential.

Qualifications: Degree/Diploma in Mechanical Engineering.

Experience: 5-10 years in fabrication operations, preferably on stainless steel equipment.

Age: below 35 years. *Ref. No. LTN/2*

Maintenance In-Charge

Selected candidate will assume charge of the maintenance activity of plant and machinery. Job calls for administrative skill and technical competence in mechanical maintenance, overhauling and rebuilding of general machine tools, fabrication equipment such as plate bending rolls, hydraulic presses, shearing machines and welding sets, cranes, high frequency units, cutting machines, electric and electronic controls and installations. Ability to carry out trouble shooting work effectively and familiarity with CNC controls essential. Experience in HT switchgear, an advantage.

Qualifications: Degree in Engineering.

Minimum experience: 8 years relevant experience in a medium/large reputed engineering organisation. Diploma holders with similar background with over 12 years experience may also apply.

Age: below 35 years. *Ref. No. LTN/3*

Engineers – Project Execution

Job involves design, detailed engineering, planning and coordination, manufacture, inspection, installation and commissioning of plant and systems for diverse industries including dairy, food, pharmaceutical and chemical industries.

Qualifications: Degree/Diploma in Mechanical Engineering.

Experience: 2-3 years for Degree holders and 5-7 years for Diploma holders in design and project engineering with equipment manufacturers, consultants, project groups of medium/large scale engineering companies handling turnkey projects.

Age: below 30 years. *Ref. No. LTN/4*

Purchase Officer

Job involves purchase of raw materials,

components, sub-contracting... Knowledge of commercial tax matters, MODVAT, works contracts essential. Exposure to materials management activities such as vendor development, usage of computerised systems, inventory control desirable. Selected person will be actively involved in liaison work in the initial stages of the project.

Qualifications: Degree in Mechanical Engineering.

Experience: 5-8 years in Purchase/Stores Department of a leading engineering company.

Age: below 32 years. *Ref. No. LTN/5*

Engineers – Marketing

Job involves marketing of drying plants, systems and equipment for dairy, food, pharmaceutical and chemical industries. Successful candidate will also be involved in coordination with collaborators, manufacturing units and other agencies during pre-ordering and execution.

Qualifications: Degree in Mechanical/ Chemical Engineering.

Experience: 5-7 years in reputed engineering companies dealing in process engineering or marketing of equipment such as dryers, homogenisers, granulators and evaporating plants. Technical competence and a successful record of negotiating for capital equipment/systems and finalising contracts in a competitive environment essential.

Age: below 30 years. *Ref. No. LTN/6*

Training Officer

Job involves coordinating, monitoring and administration of graduate engineers, diploma engineers and trade training schemes/ programmes.

Candidate should be familiar with manufacturing process and production related functions in an engineering organisation. Capacity for effective oral and written communication and ability to plan essential.

Qualifications: Degree/Diploma in Mechanical Engineering.

Experience: 7-10 years for Degree holders and 12-15 years for others in a training establishment attached to an engineering organisation. Familiarity with technical vocabulary and modern methods of teaching and usage of audio visual aids, essential.

Age: below 38 years. *Ref. No. LTN/7*

Personnel Officer

Selected candidate will assist the Works Incharge in establishing personnel procedures/ systems in recruitment, staff administration, time keeping, industrial relations and welfare. He should be familiar with current labour laws, wage administration and liaison with various government agencies.

Qualifications: Post-graduate in Personnel Management and Industrial Relations from a recognised institute. Degree in Law, desirable. Fluency in Gujarati essential.

Experience: 5-10 years in plant personnel functions in a manufacturing unit – preferably engineering.

Age: around 35 years. *Ref. No. LTN/8*

FOR ALL POSTS

Salary and perquisites will depend upon qualifications and experience. All the positions will be based at the new work location near Baroda.

Apply within 10 days, stating age, details of qualifications, experience, salary drawn and expected, quoting Ref. No. indicated against post ON APPLICATION AND ENVELOPE to Manager – Personnel, Group II:

LARSEN & TOUBRO LIMITED

Powai Works, Post Box 8901, Bombay 400 072

L&T/ADV Dept

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Our clients are pioneers in the manufacture of trendy & decorative **Opal Glassware** and have revolutionised the Indian Crockery industry within a short time. Currently they are ready to enter into a joint venture with a **Korean Company** with equity participation for the manufacture of a wider range of products. They have retained us to select the following professionals to be located at **Calcutta & Madhupur, Bihar.**

PROJECT MANAGER

Should be thoroughly conversant with setting up a project from scratch. Should possess good knowledge in framing, interpretation of techno-commercial & legal aspects of Project Contracts. An Engineer + MBA or CA/ICWA with keen commercial acumen coupled with excellent communication skills & ability to **get things done** would be ideal. The job offers excellent opportunity for the person to take over as **Chief Executive** on successful implementation of the project. Age Group 35 – 40. Code LOP/CAL/4184.

FACTORY MANAGER

The incumbent will report to the Director and will have total techno-commercial responsibility involving full capacity utilization, growth & profitability. He would oversee Production, Accounts, Commercial functions, Shopfloor IR & Security, General Administration, etc. Ideal candidate would have strong **Techno-Commercial** orientation with a special flair for Man-management. Age Group 40 – 45. Code LOF/CAL/4185.

EXPORT MANAGER

Should be a graduate with MBA or Diploma in Foreign Trade in Age Group 35–40 with at least 8-10 years of experience. Should be well conversant with export procedures, markets & overseas buyers. Code LOE/CAL/4186.

Remuneration will be handsome & negotiable. Please write in strict confidence within 10 days to **Prasenjit Ganguly, Deputy Manager** and mark the envelope & enclosures with respective job title & code.

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The work environment at TCS is challenging, innovative and creative. In fact, the professional set-up encourages you to bring out your latent qualities of creativity and innovativeness. You will be impressed by TCS' unique 'Open-Door' policy of communication.

Professional growth: There is a lot to look forward to. Every professional is given an opportunity to go on an overseas assignment. From an Assistant Systems Analyst to a Consultant – a career growth depending entirely on your performance.

When you have enough experience, TCS gives you opportunities to reach a managerial position. In short, there are numerous opportunities for professional growth – and your career path could move rapidly upwards!

Training and development: You will be adding to your technical and managerial skills – every day!

You will be rotated on a variety of projects, to ensure versatility and your overall development. Thus, you may work on computer applications, then find yourself in system software environment. Your training doesn't stop here. Continuing education programmes, throughout your career, ensure upgradation of skills and know-how – to keep pace with the rapid advances taking place in the world of computers.

State-of-the-art hardware to work on: This is TCS' second major resource. You will be working on the IBM 3090, IBM-ES 9000, IBM AS 400 and the TI Explorer.

You also have an opportunity to work on a wide range of mainframes, micros, minis: Burroughs, Elxsi, DEC, Tandem, Omega, IBM-SUN-SPARC station and RISC 6000.

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Remuneration: The best in the industry.

Send your resumé within 10 days, quoting the reference number CP-92/1 on the application and the envelope, to:

TCS

The Corporate Manager – Personnel
Tata Consultancy Services
Air India Building
Nariman Point, Bombay 400 021
Tel: 202 4827

Chaitra-B TCS 355 R

Larsen & Toubro Limited is a multi-dimensional engineering organisation with a distinctive presence in key industrial areas. Its Electronics Group at Mysore manufactures and markets computer peripherals, telecommunication (switching) systems, and electronic medical equipment. Its subsidiary, L&T-Gould Limited manufactures electronic test and measuring instruments at Mysore.

For our factory at Mysore, we require :

Senior Electronics Engineer

PRODUCT INSPECTION/QUALITY ASSURANCE/ QUALITY CONTROL

Qualifications : First Class Degree in Electronics/Communication Engineering. Only those who have completed a full-time course need apply.

Experience : 9–10 years in product inspection/quality assurance/quality control of which 3–5 years should have been in testing RAX/MAX systems and presentation to DoT for inspection. Exposure to C-DoT RAX/MAX system desirable.
Ref. No. MYS/129

Mechanical Engineer

PURCHASE/VENDOR DEVELOPMENT

Qualifications : First Class Degree in Mechanical Engineering. Only those who have completed a full-time course need apply.

Experience : 4–5 years in purchase/vendor development in a light engineering industry and preferably in electronics industry. Candidate should have sound knowledge of manufacturing process for pressed/injection moulded components, precision turned parts... in precision electronics industry. Ref. No.MYS/130

FOR BOTH POSTS

Age : below 35 years.

Location : The positions are based at Mysore. Mysore has several attractions as a workplace – a salubrious climate and excellent infrastructural and educational facilities. Successful candidates will have rewarding onportunities for intellectual interaction both within and outside the organisation. In fact, Mysore offers all the advantages of a large city without either the bustle or the congestion.

Emoluments : commensurate with qualifications and experience. The vacancies are in the Company's Executive cadre. Benefits include provident fund, gratuity, medical and leave travel assistance.

Apply within 10 days, stating age, details of qualifications, experience, salary drawn and expected, quoting Ref. No. indicated against post ON APPLICATION AND ENVELOPE to Personnel Department :

LARSEN & TOUBRO LIMITED
KIADB Industrial Estate, Hebbal-Hootagalli, Mysore 571 186

L&T/ADV Dept



GUJARAT GLASS, Division of **NICHOLAS LABORATORIES INDIA LTD.**, and part of fast growing **PIRAMAL ENTERPRISES LTD.**, offers the following career opportunities in its modern plant at Kosamba near Surat/Ankleshwar. The Company has already invested over Rs. 30 crores in expansion and modernisation and a further investment of Rs. 40 crores is envisaged:

CHIEF GLASS TECHNOLOGIST

Responsibile for installation of new furnaces and efficient running of existing furnaces, batch houses as well as laboratory. The candidates should have degree/diploma in glass technology with 12-14 years' experience in responsible positions in glass industry/educational institutions.

MACHINE MAINTENANCE MANAGER

Responsible for proper upkeep and maintenance of all I.S. Machines at the plant. The candidate should be degree/diploma holder in Mechanical Engineering with at least 10 years' experience in maintenance of I.S. Machines in glass manufacturing company.

MANAGER - INSTRUMENTATION/ INSTRUMENTATION ENGINEER

The Manager Instrumentation will head the instrumentation department while Instrumentation Engineer will assist him in his areas of responsibilities. Candidates for the position of Manager should have degree in Electronics/ Instrumentation with 7-8 years' experience in installation, commissioning and maintenance of pneumatic, electronic and process control instruments. Candidates for the position of Engineer should have diploma in Instrumentation and relevant experience of 3-4 years.

ASST. MANAGER ENGINEERING

Candidates should be degree holders in Mechanical/ Electrical Engineering with 10 years' experience in management of Engineering Services and maintenance in continuous process industry.

ASST. MANAGER - WORKSHOP

Responsible for manufacturing, maintenance and repair of moulds. The candidates should have degree/diploma in Metallurgical/Mechanical Engineering. 7-8 years' experience in mould making/repair essential.

SENIOR PRODUCTION ENGINEER/ PRODUCTION ENGINEERS

(Borosilicate/Sodalime)

Responsible for supervision of manufacturing process to ensure targeted production. Candidates should hold degree/diploma in Mechanical Engineering and should have 7-10 years' experience in bottle manufacturing.

MACHINE MAINTENANCE ENGINEER/ SHIFT ENGINEERS

Degree/diploma holders in Mechanical Engineering with 3-5 years' relevant experience. Persons with practical experience of 15 years in maintenance of I.S. Machines will also be considered.

MECHANICAL/ELECTRICAL ENGINEER

Diploma holders in Mechanical/Electrical Engineering with 5-6 years' experience in maintenance of plants, machine equipment, D.G. Set & Compressors in continuous process industry will be preferred. Persons with practical experience in Fabrication/General Maintenance will also be considered.

Interested candidates may send their application, mentioning the post applied for on the envelope, giving details of qualification, experience, age and present salary, within 10 days to :

The Executive Director,
GUJARAT GLASS,
(Division of Nicholas Laboratories India Ltd.,)
Administrative Building, Morarjee Mills Compound,
Dr. Ambedakar Road, Parel, Bombay 400 012.

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CLAMAR

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Salary SR1800 + SR350 p.m. for food expenses. (Presently SR1 = Rs. 7.6 approx.). Free Furnished accommodation, transport, medical and recreational facilities are provided. End of Service benefits as per Saudi laws. 3 yrs. contract on Bachelor status with paid home leave every year at Saudi Company's air tickets.

Candidates meeting above requirements, fluent in English and keeping good health may write/contact immediately with complete bio-data, copies of work experience and educational certificates, passport and driving licence details to:—

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CHIEF EXECUTIVE

Baroda

Our client is a well reputed professionally managed Business Group. They are setting up a hitech **Advanced Fluid Handling System Project** in collaboration with a giant U S Corporation. Commercial production will commence in August 1992. They now wish to appoint a seasoned professional to head this unit as CEO in Baroda.

He will report to the MD and operate as profit centre head. His key result areas will be to (a) Develop vendors for all casting/forging items (b) Ensure stringent quality management (c) Absorb foreign technology to upgrade product quality on continuous basis (d) Explore & develop new businss to ensure sustained growth, etc. Should be an Engineer with 12-15 years of relevant experience in **Petrochemicals, Refineries Fertiliser Industries.** Age group 38-45.

High performer will have rewarding career prospects. In addition to handsome remuneration (which includes Housing & Car) excellent performance bonus will be paid subject to achievement of agreed targets. Please write in strict confidence to **T Sengupta, General Manager** within 10 days & mark the envelope & enclosures with job title & code CEO/CAL/4178

ABC CONSULTANTS PRIVATE LIMITED
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Manpower Audit & Planning • Managerial Appraisal • Salary Survey



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Already amongst the Top 50 Corporations in Saudi Arabia, our company is a well-established, rapidly growing organisation with consumer goods manufacturing, marketing, and sales facilities throughout the Kingdom of Saudi Arabia, Bahrain, Egypt, and soon, in other parts of the world. To complement our growth, we wish to hire a qualified professional for the post of

ASSISTANT GENERAL MANAGER MARKET RESEARCH

To be based in Jeddah, the candidate eventually hired will provide a comprehensive, highly reliable, cost effective and timely market research information. He will be required to prepare research designs, including questionnaires, their pilot testing and editing; specify target samples, brief field staff, monitor progress of different projects; select, commission, and monitor the performance of external research agents; interpret & analyse research data, prepare and present reports and recommendations; and train other members of market research team.

The ideal candidate should at least be a university degree holder, and must have relevant 3-5 years experience with reputable market research or consumer marketing firms. Good interpersonal and communication skills, familiarity with computer software operations, and ability to work under pressure are also essential traits. Preferably, he should not be more than 40 years old.

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The Candidate : Should be qualified in Electronic / Mechanical Engineering preferably with an MBA Degree. Must be in the age group of 33-38 years with at least 8 years experience in large to medium Engineering units. He should be involved with formulation of puchase policies and strategies, purchase of ferrous and non-ferrous items, electrical and electronic componments particularly in office automation products.

Remuneration : This is a Senior Management position carrying attractive salary in the region of Rs.7000/- to Rs.8000/- gross per month with other perks.

ASSISTANT COMPANY SECRETARY

The job : Involves all the normal functions of a Company Secretary. He should be able to handle Sales Tax, Excise and Company Law matters independently. In addition he will be required to monitor and pursue various civil and mercantile legal issues.

The Candidate : Should be a qualified Company Secretary with an essential LLB degree which is a must. Should be in the age group of 30-34 years with atleast 4-5 years experience in the legal / secretarial department of a reputed company. He should have the potential to grow in a span of 3/5 years to take over as Company Secretary.

Remuneration : Will be attrative in the region of Rs.5500/- to 6500/- gross per month.

Please send your application with detailed bio-data and passport size photograph (non-returnable) within 10 days of this advertisement to

The General Manager – Personnel
Remington Rand of India Ltd
3 Council House Street
Calcutta 700 001

PRESSMAN

Bharat Heavy Electricals Limited

(A Government of India Undertaking)

INVITES EXPERIENCED FOUNDRY AND FORGE ENGINEERS AT SENIOR LEVEL

Bharat Heavy Electricals Limited—the Engineering complex, in core sector of National Economy—caters to the challenging demands of Power Sector through continuously updated technology of international level. Highly sophisticated steel castings and forgings for power generation equipment and other applications like Space and Defence etc., are manufactured by Central Foundry Forge Plant established at Hardwar (Uttar Pradesh). This unit is on the threshold of major technological upgradation; expansion of its facilities and diversification of product range.

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BHEL is on the look out for talented manpower with proven capabilities and specialised experience and qualifications to take up challenging assignments at Senior level in Foundry and Forge Sections as given in the table below:-

GENERAL CONDITIONS

(i) **Reservation & Relaxation**

The reservation of posts and relaxation in experience and age for SC/ST candidates will be as per rules.

Note: In case, candidates do not meet the criteria of selection for the advertised posts they would be considered for next lower scales viz. DGM (Rs. 6250-175-7475) or Senior Manager (Rs 5750-175-7325) in case they have minimum experience of 20 years and 16 years respectively.

(ii) **Other benefits**

Besides Basic Pay and Dearness Allowance, the posts carry other benefits like subsidised accommodation or HRA, LTC, Leave Encashment, CPF, Family Pension, Gratuity, Group Insurance, Conveyance reimbursement, Uniform, Washing Allowance and Medical facilities as per rules.

(iii) Persons employed in Government/Public Sector Undertakings/Autonomous Bodies should apply through proper channel or produce a "No Objection Certificate" at the time of interview.

(iv) The joining of selected candidates will be subject to their being found medically fit by our company doctors, whose decision on medical suitability will be final.

(v) Candidates called for interview for the above posts will be paid single 1st class to and fro train fare, from the starting station or mailing address, whichever is nearer to the place of interview on production of proof of journey.

(vi) No correspondence from any candidate not selected for interview or appointment will be entertained and canvassing in any form will be a disqualification.

Level	Minimum Qualification	A) Minimum Experience B) Max. age as on 01.04.1992
Additional General Manager (AGM) (Rs. 6500-175-7725) OR Senior Deputy General Manager (SDGM) (Rs. 6250-175-7475)	Full time Engineering Graduate in Metallurgical or Mechanical Engineering from a recognised University/Institution in India. Post-Graduate Degree in Management Education preferred.	A) Minimum 24 years relevant experience (22 years for SDGM) with at least 8 years at Senior level in a large Foundry/ Forge Unit handling similar products. B) 50 years.

HOW TO APPLY

Duly completed application should be sent on plain paper (to be neatly hand-written or typed in A4 size paper-270×297 mm) giving the following details to:

The Deputy Manager (Personnel), **Bharat Heavy Electricals Limited,** Corporate Office,
BHEL House, Siri Fort, New Delhi-110 049

within one month from the date of publication of this advertisement.

a) Post Applied for : b) Name in full (In Block letters): c) Date of birth : d) Father's/Husband's Name : e) Address for correspondence (In Block letters) : f) Whether SC/ST/Ex-Servicemen/Physically Handicapped : g) Educational/Professional Qualifications (indicating clearly the examinations passed, University, Board, Year of passing, class and percentage of marks, subjects taken) : h) Details of previous/present employment, if any, in chronological order starting from present position backwards (indicating the name of employer with full address, Post held, salary drawn, period of service, nature of duties) : i) If selected, minimum time required to join the post : j) Any other information you wish to add, including references, names and addresses of two persons who have knowledge about you professionally : k) Whether applied for any Post in BHEL before (If so, please furnish details of the post, date of interview, result of the interview etc.) :

(INCOMPLETE APPLICATIONS WILL NOT BE ENTERTAINED)

GENERAL MANAGER

The incumbent would head the profit centre and would operate independently on agreed upon budgets. The position reports directly to the Chief Executive Officer of the company.

The individual would be expected to give shape to and implement ambitious business plans. He would also be required to conceive of and implement new thrust areas. Creative and innovative marketing is essential for enhanced business generation in an extremely competitive environment.

Key result areas would include Technological and Systems modification/upgradation with a specific focus on cost controls as well as blending together a committed and dedicated team with exemplary leadership.

Our client, a premier publishing house, part of a leading industrial group of the country is looking for a dynamic person to head a vital unit located in North India.

The person should be around 40 years of age with an Engineering/ Management background. He should have 15 years of experience in a Manufacturing/Marketing Organisation out of which 5 years should have been in the number 1-2 slot.

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Compensation would not be a constraint for the right person and would include housing, car and liberal perks.

Apply in strict confidence superscribing on the envelope "GMUH" within 15 days to:

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Fax No. 4623672

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It is expanding and diversifying into other types of glass products at Meerut (U.P.) and Rajahmundhry (A.P.). Expansion at its present unit at Allahabad is also on the anvil.

TSGW is looking for aggressive dynamic professionals for the following posts to be placed at different locations -

GENERAL MANAGER — ADMINISTRATION

Post : One
Location : Allahabad [Ref. : GMA]
Job : Though he will be based at our factory at Allahabad but will coordinate for all administrative and personnel related functions for all three locations. He shall be responsible for laying down of policies and rationalizing organizational structure besides supervising all HRD functions.

Incumbent will report directly to Dy. Managing Director.

Qualifications : Masters degree in Business Administration (Personnel) from a reputed institute. Additional degree in law would be preferable. Five years of experience at a similar level would be required.

ADMINISTRATIVE MANAGER

Post : Two
Location : Meerut/Rajahmundhry [Ref.: AM]
Job : Would be in-charge of all day-to-day administrative and commercial functions at the site.

Incumbent will report directly to General Manager - Administration.

Qualifications : Masters Degree in Business Administration from a reputed institute. Additional degree in law/accounts would be preferable. Five years of experience at a similar level would be required.

FINANCE MANAGER

Post : One
Location : Allahabad [Ref. : FM]
Job : Would be responsible for financial accounts, cost analysis, project feasibility studies etc. May be required to liasion with banks/financial institutions for financing of projects.
Qualifications : CA/ICWA/MBA (Finance) With 3-4 years of relevant experience.

For all posts, salary will not be a limiting factor for the right candidate.

Please mail your resume within 10 days, clearly superscribing the envelope with the reference, to :

Dy. Managing Director
Triveni Sheet Glass Works Limited
1, Kanpur Road,
Allahabad - 211001

INDIAN INSTITUTE OF PORT MANAGEMENT, CALCUTTA

requires

a DIRECTOR

Indian Institute of Port Management (IIPM) registered under Societies Registration Act, was set up with a view to imparting training, chiefly, to officers and other employees of Major Port Trusts of India in matters relating to Port operations, management, Port finances and other related matters. The Institute also runs training programme for Executives of Port related industries. Besides, it organises workshops, seminars, conventions throughout the year in matters relating to Port and Shipping.

The Institute is developing a large campus in Calcutta which will include Institutional facilities for imparting training, holding seminars etc., residential & Guest House accommodation and other related facilities.

The post of Director of the Institute will fall vacant with effect from June 1, 1992.

The Director is the overall in-charge of the Institute and reports directly to the Chairman of the Executive Council of the Institute.

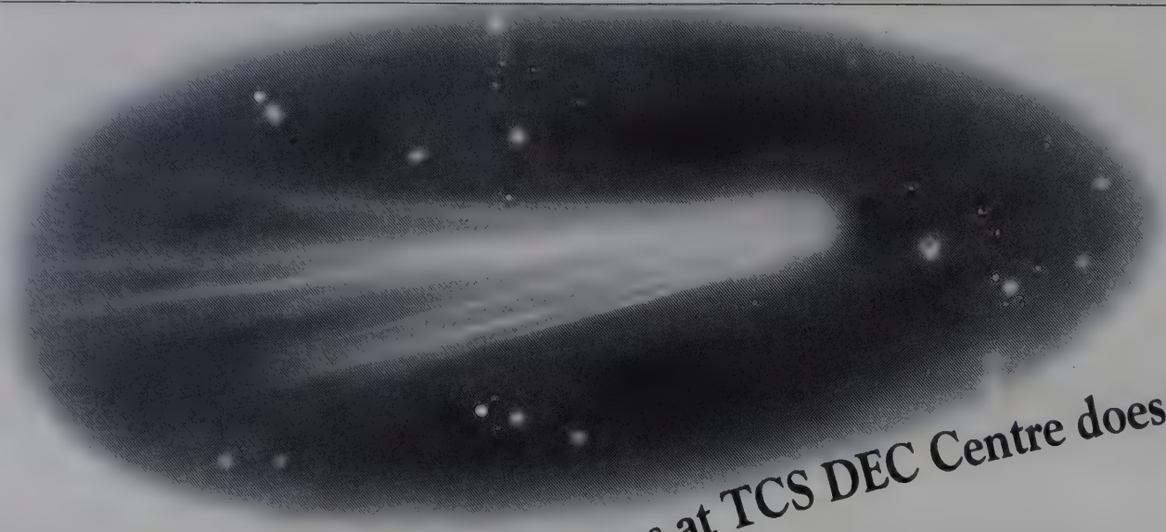
The candidate should have good Post-graduate qualification, preferably a Ph.D Degree. He should have about 15 years' experience in teaching and/or administration. Preference will be given to persons with administrative experience in Port and Shipping/Teaching experience in Management Institutions.

He should be within the age of 55 years. Pay will be in the scale of Rs. 6700-200-7700 or 7500-200-8500 depending upon qualification and experience. In addition, allowances like Dearness Allowance, City Compensatory Allowance, House Rent Allowance, benefits of leave encashment, leave travel assistance, medical assistance etc. are available. The gross pay at the start of the 1st scale will be around Rs. 8,500/- p.m. and in the second scale Rs. 9,300/- p.m. Residential accommodation can also be provided.

Applications with full bio-data indicating qualifications, details of posts held, emoluments received, etc. together with two recent passport size photographs should reach the undermentioned within 24th April 1992.

A.C. Ray
Chairman
Executive Council, IIPM.

15, Strand Road,
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Mail your resumé within 10 days, quoting Ref. No. OM92, to:

TCS

The Resident Manager,
Tata Consultancy Services,
Nicco House, 2nd Floor, 2, Hare Street,
Calcutta 700 001 Tel: 209415, 280744

Chaitra-B TCS 471

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A. Project Engineer (Mech/Elec/Metallurgical Graduates) with exposure to Design, Engineering including Cost & Material analysis using CAD Technology.

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Nelco's Industrial System Group, with a turnover of over 100 crores is involved in manufacturing and marketing of Drives Systems and Automation, UPS and SCADA Systems. The Group has an enviable record, and is now poised for growth and expansion. To meet this challenging need the group is looking for :

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Selected candidates will be responsible for achivement of Collection and Sales targets for Drives Systems and Automation. Job involves interaction with highly technical professionals in the metal industries (Process Lines, Hot and Cold Rolling Mills) including large turnkey projects.

Candidates should be Graduates in Electronics Engineering with relevant experience ranging from 8 to 15 years. The job demands high technical knowledge, leadership qualities and excellent negotiation skills.

The Company offers an excellent remuration package and congenial working environment with opportunities for career growth.

Please apply, superscribing the post applied for on the envelope, to :

MANAGER PERSONNEL - ISG
THE NATIONAL RADIO & ELECTRONICS CO, LTD.
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Andheri (East), Bombay 400 093.

TATA STEEL

NEEDS

Employment Notification No.

SYSTEMS TRAINEES — 132/92

SENIOR COMPUTER PROFESSIONAL — 133/92

for its Computer Services Division Jamshedpur

The Computer Services Division of the Company has undertaken an ambitious computerisation programme in a networked environment using latest IBM 9121/320 Mainframe Computer/Digital VAX Computers and Unix machines installed at Jamshedpur.

The professional and challenging work environment also includes RDBMS, fourth generation languages, computer-aided software engineering, data administration, networks, etc. The thrust lies in integrating systems and in on-line transaction processing in all the functional areas of the Company.

The Company is looking forward to employing young and energetic engineers/ professionals who can participate in this programme.

SYSTEMS TRAINEES

Qualifications: 1st class in B.Tech./B.E./ M.Tech./ M.C.A./M.Sc. (Statistics)/ M.B.A. from a recognised university.

Candidates who appeared for the final year examination in the above disciplines and are expecting the results before 1st July 1992 may also apply.

Age : Below 25 years as on 1st July 1992.

SENIOR COMPUTER PROFESSIONAL

Qualifications and experience: 1st Class engineering graduates in any discipline with minimum 2 years of industrial experience (relaxable for exceptional candidates) in one or more of the following areas:

- IBM/MVS, CICS, CSP, DB2
- Communications & Networking with fibre optics
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Knowledge of software engineering, project management techniques and experience in implementing projects on ES/9000 will be an added advantage. (Training period will not be considered as experience).

Age : Below 35 years (relaxable depending on qualifications and experience).

Remuneration: Selected candidates will be offered attractive emoluments commensurate with their qualifications and experience. Additional benefits such as contributory provident fund, gratuity, leave, superannuation fund, leave travel concession, conveyance allowance, free medical aid for self and family, unfurnished accommodation, etc., as per Company rules will also be provided.

How to apply : Application on plain paper mentioning Employment Notification No., post applied for, name, father's name, date of birth, present and permanent addresses, qualifications and experience, name of present employer, present basic salary and details of other emoluments drawn, two recent passport-size photographs (in case applicant uses spectacles, the power of lenses should be mentioned) along with copies of certificates and testimonials, should reach the **Divisional Manager (Employment), Employment Bureau, The Tata Iron and Steel Company Limited, Jamshedpur 831 001,** within 15 days.

Note: i) All applications will be treated in strict confidence.
ii) Applicants working in sister concerns (Tata group of companies) should apply through the proper channel.
iii) In the event of receipt of a large number of applications, applicants would be short-listed and then called for interview
iv) Canvassing will disqualify the applicant.

GHCL

Gujarat Heavy Chemicals Ltd.

A joint-venture of GIIC and Dalmias

Gujarat Heavy Chemicals Limited, a Rs. 300 crore company is one of the largest joint sector companies in India having its collaboration with AKZO of Netherlands. The company has a strong and committed team of professionals in all fields and has established its presence strongly in the market.

GHCL, today, produces 1200 tonnes of Soda Ash per day achieving a 100% capacity utilization. We see an opportunity of increasing our capacity by 500 tonnes per day through equipment balancing and better management of process inputs and process controls. In order to meet this objective we require process professionals, **IN OUR PLANT AT SUTRAPADA,** at various levels, with experience of 5-20 years who would be designated from **SENIOR PROCESS ENGINEERS** to **GENERAL MANAGER – PROCESS.**

These are key positions in production management. The incumbents should be Chemical Engineering graduates with hands-on experience in Process Control in Heavy Chemicals Industries, Fertilizers and Petrochemicals, varying between 5 and 20 years with a thorough knowledge of all unit operations and be conversant with computerised control systems.

The job includes leading and motivating a team of experienced professionals, helping the unit achieve production targets, improving overall operational efficiency, economising consumption of input resources, co-ordinating between different sections of the plant and ensuring smooth running of the plant. Should have a flair for trouble-shooting and help establish a computer-based on-line analysis and process control system.

The company offers attractive compensation package ranging from Rs. 60,000 to Rs. 1,50,000 per annum, plus accommodation and other perquisites and benefits commensurate with the position.

Interested persons may send in their resume within 10 days, indicating the post applied for, to:

Mr. Ashok Bhattacharya
GUJARAT HEAVY CHEMICALS LIMITED
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New Delhi - 110065
Tel: 683 6064



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INDU

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Mahesh K. Enjeti has taken over as marketing manager of ITC-Welcomgroup Hotels.



K.S. Sachdev has joined Gujarat Narmada Auto Ltd (GNAL) as managing director.



R. Sharma has been appointed general manager (planning) of the Lucknow circle of State Bank of India.



K.S. Manikashetti has taken over as company secretary of Bharat Petroleum.



P.K. Manik has taken over as general manager (planning) of the Bhubaneswar circle of State Bank of India.



Atul C. Choksey has been elected vice-president of the Bombay Chamber of Commerce & Industry.



M.R. Mondkar has been promoted as president of J.M. Financial & Investment Consultancy Services.



P. Ramanujam has been appointed managing director of Astra-IDL.



K.R. Choksey has been elected vice-president of the Bombay stock exchange for 1992-93.



G.B. Desai has been elected president of the Bombay stock exchange for 1992-93.



V.A. Sankaran has taken over as general manager of SBI Capital Markets, Bangalore.



D.N. Ghosh has been appointed director of 20th Century Finance Corp.

Executive lunches aren't what they were.

SLIMMING DOWN

Around 1.30 every afternoon, the staff of Delhi-based pharmaceutical giant Ranbaxy Laboratories moves towards a small room in a building next to their office. No, they're not heading for a meeting or a seminar. They're responding to a gastronomical call. It's lunch hour at Ranbaxy and everyone, from management trainee to company director, wends his way to the common lunch room to sample the heavily subsidised buffet lunch.

Just a stone's throw away, the scene is replayed at Eicher Goodearth's corporate office. The tractor and light commercial vehicle manufacturer's directors and chairman Vikram Lal rub shoulders with workers and staff as they stand in queue at the lunch room, waiting to help themselves to a selection of delectable vegetarian food.

Yes, executive lunches are alive and kicking — though in a much slimmer form. Says I.K. Dogra, the owner of the Delhi-based catering agency FoodWorld, which has a string of corporate clients: "The number of companies offering such lunches to their employees is increasing day by day."

But companies are serving lunch differently. Sumptuous spreads are out, modest fare is in. Lunch is no longer the five-star affair it was years ago in boxwallah corporations like Shaw Wallace, ICI and Metal Box. Then, no lunch rooms were complete without a bar, uniformed bearers and fancy menu cards. Recalls a former ICI general manager who does not wish to be identified: "We would walk into the dining hall, pick up a drink or two and settle down to an elaborate meal of Indian, Chinese or continental dishes stretching almost over an hour."

On a diet. Today, companies are on a diet. Corporations such as ICI and Metal Box have wound up their executive lunches completely, as has American bank Citibank. Shaw Wallace has trimmed its fare, in a manner of speaking. Though the liquor giant still serves food free to executives and to their guests, the menu is confined to one soup, a main dish, and a dessert — Chinese, continental or Indian.



To be sure, there still are some exceptions to the modest lunch rule. ANZ Grindlays, for example. In Bombay, the multinational bank kicks off its lunch with soup and salad. This is followed by a non-vegetarian dish — chicken, mutton, prawns or fish — and vegetables, *dal*, *pulao*, and *chappatis*, with an occasional *puri* or *paratha*. That's topped by yoghurt dessert and, sometimes, fruit. The occasional Chinese or continental meal ensures variety.

The Faridabad-based Escorts also believes in feeding its executives elaborately. Along with the standard vegetarian fare, it offers pizzas, burgers and sandwiches to its managers once every fortnight. "By today's standards, Escorts' fare is still quite elaborate," says Dogra.

Yet, most concerns don't believe in offering such spreads. And the reasons, quite simply, are steadily rising costs and the quickening pace of work at most corporations. Till a couple of years ago, Citibank, for example, used to serve heavily-subsidised lunches to its executives. These have not only been discontinued but no alternative has been proposed either. The bank's vice-president and director (HRD) Ganesh Shermon says: "The days of subsidised lunches are over. It does not fit in with the modern work culture. After all, what all can a company subsidise?"

Consider the case of Delhi's plush Hyatt Regency hotel. Earlier, executives were entitled to lunch at any of the hotel's restaurants. Now, only executive committee members or operational heads enjoy this privilege. The rest of the staff gets relatively pedestrian fare at a basement cafeteria. Amidst blaring Hindi film music, middle-level executives and non-executives down rice, *rotis*, salad or curd, *dal* or *rajma* or *channa*, and a vegetarian or non-vegetarian item. "The new system is part of the company's cost-cutting measures," public relations manager Archana Jain confesses.

Costs apart, executives simply don't have time for big spreads anymore. Metal Box senior assistant manager Rajiv Aggarwal asks: "Who has the time for four-course meals unless one is entertaining guests? For me, it is more a case of snatching a bite between meetings."

Convenience factor. Companies, too, are realising this. Today, the buzzword is convenience. So some are offering packed lunches, others are serving buffet lunches. Some operate subsidised canteens where executives can drop in whenever they have the time to grab a bite or two.

A classic example: ITC. Till a decade ago, the Calcutta-based tobacco giant didn't serve lunch. Executives brought food from home. But, as business picked up and time became precious, ITC decided to introduce packed lunches. An agency called Linkers put hot vegetarian or non-vegetarian food on the table. And for those with finicky taste buds, there was specialised food. "The system of packed lunches was introduced for the convenience of executives," says an ITC spokesman.

Indeed, ITC is not the solitary example of corporations providing packed lunches: the state-owned IBP Ltd does this too in Delhi. Thermocol boxes containing vegetarian dishes with a soup and a sweet and one non-vegetarian dish (twice a week) are handed out. Says FoodWorld's Dogra: "The good thing about packed lunches is that you can eat it at your convenience."

Packed lunches, however, don't go down well with everyone. Those who find them a trifle messy and cumbersome opt for buffet lunches served in lunch rooms. Eicher, for instance, switched to buffet lunches in 1989 when it moved into its own building in south Delhi. Eicher senior officer, administration, Ashok Garg says: "Today, we offer buffet in two batches — from 1-1.30 pm and 1.30-2 pm."

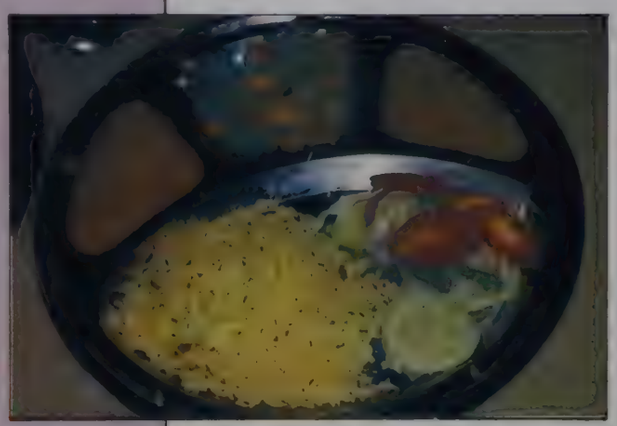
The buffet concept is catching on elsewhere too. It's been the rage at ANZ Grindlays, for instance, for the past eight years. "The buffet system has been very successful and we have no plans of changing it," Grindlays' remuneration manager V.D. Marvinkurve says.

Yet subsidised canteens win the popularity sweepstakes in the corporate world. Usually run by an outside agency, the canteen is open throughout the day and offers a vegetarian or non-vegetarian *thali*, along with soft drinks, tea or coffee at subsidised rates. A staff member can walk in any time and take his pick.

Certainly, that's true at Pfizer. The Bombay-based pharmaceutical company has a common canteen with a standard menu. Employees have to pay just Re 1 a day for the food. But it's a sign of the changing gastronomical times that even multinationals like Pfizer are thinking of asking staff to fork out more for food. "In the past 15-20 years, there have been no modifications either in the standard of the food or employees' contribution. Now, we are thinking of asking employees to share the expense," confirms Pfizer office administration manager S.C. Pradhan.

Yet another sign of the changing times is the increasingly ubiquitous coupon system. At Steel Authority of India (Sail), every employee is issued a coupon book for Rs 72 every month. Under the system, floor boys take orders an hour before lunch and collect the coupons at the end of the month. "In the past five years, I have only had the canteen *thali*. It saves the headache of bringing lunch from home," says Rakesh Gupta, a manager at Sail.

Companies are now serving lunch differently. Sumptuous spreads are out, modest fare is in



Dining apart. As executive lunches move out of plush dining halls to small, modestly-decorated lunch rooms or subsidised canteens, the older-generation companies are confronted with an odd problem: hierarchy. "I wouldn't call it a status problem. It's just that senior people often use the lunch hour to discuss important strategies. So it is not feasible to have their staff and others around them at that time," says an Escorts official. The company has a separate lunchroom for its workers, supervisors and managers.

Escorts apart, Cadbury and Hindustan Lever have separate canteens for management and non-management staff. At Cadbury, every employee has to pay Rs 20 a month for canteen food. Lever, however, bears 60% of the cost. Says a Lever spokesman: "The whole idea is to provide a decent meal at a reasonable price."

At Welcomgroup's Maurya Sheraton hotel, the hierarchy is starkly in evidence in the lunch rooms. Hotel executives and non-executives lunch in separate rooms, even as the top brass dines in splendour in an exclusive hall. Nor is this all. While executives and corporate office managers are eligible for a free buffet meal, non-executives have to pick up self-service trays and lunch at a nominal charge of Rs 1.80 per meal. What's more, the food, too, is cooked differently. Hotel executives and non-executives have food served at the hotel's cafeteria; corporate office managers eat food from a kitchen attached to the banquet hall, complete with baked dishes and continental cuisine. Says a hotel spokesman: "It has always been like this but everyone is happy."

Yet, even as the swankiness goes out of executive lunches, they still remain a perquisite. Management guru Mrithunjay Athreya points out: "Executive canteens are an attractive way to retain and woo managers."

Maruti, JK Tyres in Gwalior and the Kirloskar Electric factory in Bangalore are certainly aware of this. And LML, which has been serving soup and dessert to staff at the level of general manager and above, is now planning to set up a common lunch room for the entire staff.

Clearly, it helps to give your employees more than just food for thought.

□ Mahasweta Ghosh Roy with Meenu Shekar and D.N. Mukerjea

CARD GAMES

Another credit card has appeared on the horizon, this time courtesy HongkongBank. Actually, there are two categories of cards — the HongkongBank Credit Card and the HongkongBank Gold Card — and they apparently separate the men from the boys.

The bank has been sending direct mailers to its account holders to hawk these cards and, apart from the normal benefits all cards offer, there's a promotional gimmick thrown in. All those who finally get a card are entitled to a 15-week complimentary subscription to *Newsweek*. That, as the mailer points out, costs all of Rs 525.

But HongkongBank has apparently decided that it has two classes of clients. The downmarket variety have been offered a common or garden credit card. The letter to them is addressed "Dear customer" and signed by manager (card products division) M.C. Tan.

For the Gold Card, the letters carry the signature of CEO G.C. Dobby himself and the addressees have been elevated to "Dear valued customer." What's more, those offered the Gold Card get their 15-week free subscription to *Newsweek* regardless of whether they apply for a card or not. Viva la difference, what?



HONGKONGBANK CREDIT CARDS: *A creditable offering*

ON THE HOUSE

It sounds suspiciously like a bog offer (buy one, get one free). But there's a difference. First, you have to buy four. And "buy" may not really be the right word.

Bombay's Hotel Avon Ruby is offering one party on the house for every four that you have in its banquet hall. This includes conferences, seminars, receptions, birthday bashes or simple get togethers.

Says banquet-in-charge Hemant Chauhan: "This is on a pro rata basis — the number of people and the billing. We take the average expense of the four parties and offer a free party for that amount."

The banquet hall, named Landmark, has a buffet capacity for 120 people and a conference capacity for 100 people. "It also has the facility of a collapsible partition for smaller groups," says Chauhan.

According to him, the scheme has already drawn a good response and he expects corporate clients to come rolling in. Will they roll out as successfully after the fifth?



RG'S DISCOTHEQUE: *Going exclusive*

WEEDING OUT

Bombay's upmarket Disco — RG's at Hotel Natraj — is celebrating its first anniversary. And it is becoming even more exclusive.

This membership-by-invitation-only disco had 400 society highfliers on its rolls last year; the number has been pruned to 150 this time. Says Gaurav Ghai (son of Ravi Ghai of Kwality fame) who runs the show: "We want to offer our clients a broader base. We want to make it more of a night club. The only way was to decrease the crowd and offer better service to just a few people."

Nobody is naming names, but among those who have not been invited this time are some of the smartest of the smart set. And it must be smarting.

FLYING HIGH

Who's making waves in the air? According to the International Travel Research Institute, which has recently conducted a survey of 44 airlines, emerging tops in image is Singapore Airlines. Following in order were Swissair, Lufthansa, KLM and Cathay Pacific.

The survey also looked into traveller-related factors and the respondents were asked to identify those which they considered the most important. Clearly at the head of the list was punctual flights, with safety, convenient schedules, excellent in-flight service and superior aircraft cited as other priority needs. Incidentally, "attractive flight attendants" came in last.

With punctuality the key, it is no wonder that Air India did not even get a look-in.

A COMPREHENSIVE MEMOIR

(By Eldon Griffiths; APJ Surrendra group; 1992; pp 60; unpriced.)

The two things which come to mind instantly when one thinks of Surrendra Paul are his impish witticisms and spontaneous guffaws. Paul the man, the friend, the good company, invariably stood out ahead of Paul the industrialist, the businessman. Few permanent denizens of the realm of money-makers can claim this attribute, which itself is as remarkable as it is rare.

This finely produced, lavishly illustrated memoir, recalling the life, times and qualities of the late Surrendra Paul, is clearly a labour of love. This tribute from family friend Eldon Griffiths, a member of the British parliament, will be equally cherished by the many people who knew — and liked — Paul. It begins with the story of the Paul family's roots in an obscure village named Chang in the erstwhile Doab district of undivided Punjab.



SURRENDRA PAUL: *A man of many parts*

The well-known native shrewdness of Paul brothers Satya, Jit, Swraj and Surrendra has an appropriate lineage. Their great-grandfather Ram Nath, a trader and breeder of buffaloes and horses, grew to emerge as one of Chang's more prosperous businessmen. Ram Nath's son Amin Chand inherited the most conspicuous of his father's qualities, namely, shrewdness and outspokenness — genes which clearly run in the family. He prospered both as trader and landowner; in the whole of Doab district, his buffaloes were reputed to be the strongest and his cows the most prolific!

THE BROTHERS PAUL: *Suraj, Satya, Surrendra & Jit*



The foundations. Amin Chand's fourth and favourite son Payare Lal migrated to Lahore in 1910 to set up a bucket and steel tub manufacturing unit; in the early twenties he moved to Jalandhar and relocated his bucket and tub business there, adding valves and taps for good measure. Thus were the foundations of the APJ empire laid: A standing for Amin Chand, P for Payare Lal and J for Jalandhar. Surrendra was born at Jalandhar in 1935.

Eldest brother Satya recalls Surrendra's upbringing: "All our family worked from dawn to dusk. About the time Surrendra was born, I can remember waking up to the sounds and smells of the furnace being stoked up, while Jit fetched water from the well. All round was the noise of hammering. We were a family of metal-bashers who knew how to sell our wares."

That is not a bad description of the talents that Surrendra Paul was to bring to his life's work. He grew up with a love for making steel but he also knew how to sell it — and tea, hotels and shipping tonnage besides.

But business was only one of Paul's many interests. His preoccupation with work was never permitted to stand in the way of his close relationship with his family — and this included the wider clan. As Jit Paul says: "Brotherhood was — and is — the secret of our family and our company." Surrendra was also a compulsive photographer, and this book appropriately reproduces a four-page selection in his memory. Engineer, industrialist, husband, father, brother, friend — Paul's many facets are touchingly brought out.

Swraj Paul sums up his sibling with feeling: "My brother Surrendra was warm and straightforward. He was always looking for simple answers rather than complicated solutions. As a human being, he was full of life and good humour, while remaining down to earth and direct. He always showed concern for the people around him. He worked hard, and that was his hobby. He was fearless, and this is probably what cost him his life."

□ Sujoy Gupta

LOOK BEFORE YOU WEEP



Of special interest to investors in finance companies

Indeed, with deregulation of the financial services sector, there's a tremendous surge in the finance companies share prices on various Stock Exchanges. No doubt, there are good prospects ahead for several such companies — but the investors' fancy for these shares has resulted in price earning ratios of many finance companies being as high as 40 to 60. At current prices the total value of market capitalisation of the shares is equal to 40 to 60 years earnings of the companies.

In your own interest, here are some pointers to see if the skyrocketing market value of finance company shares is really justified.

Management's Ability to Raise Resources

Some of the most successful finance companies are those who have not only been able to attract investors in equity participation but also through debt instruments like debentures, deposits and loans from banks and financial institutions. The higher the level of leverage, the higher the return on Owned Funds / Equity. For example if the company has a capital of Rs. 100/- and borrowing of Rs. 100/- at a cost of 16% and its average lending rate is 22%, the pre-tax EPS is Rs. 28/-. However, the same would be Rs. 82/- if the company has a debt equity ratio of 10:1.

Ask yourself, does the company in which you have invested or are about to invest, have the capacity and capability to attract funds through debt instruments, to optimise its returns?

Accounting Policies

Most finance companies are engaged in the business of term lending through Leasing and Hire Purchase. Are you aware of the company's policy in charging depreciation in respect of leased assets? Ideally, the entire cost of assets should get written off in the primary lease period. If the company provides lower rates of depreciation, it will show exaggerated profits initially. However, at the end of the primary lease period the company will continue to show residual value of the asset in its books whereas income therefrom will be nominal. Check the depreciation policy followed by the company and make sure that depreciation charge is adequate. Ideally, the discounted cash flow from future receivables (less bad and doubtful debts) should provide adequate surplus to equity shareholders after meeting all debt obligations.

Ask yourself, does the Profit and Loss Account of the company in which you have invested or about to invest, reflect a true and fair view of the company's profitability?

Credit Risk Management:

Finance companies deal in money and it is important that what is lent is recovered as and when it is due. Non-performing assets do not bring in income. Check details of doubtful receivables and what accounting treatment the company proposes to give in this respect. Showing lease rentals as income is meaningless if the recovery is doubtful.

Ask yourself, does the Profit and Loss Account give effective treatment to rentals/instalments which the company is finding it difficult to recover?

Spectrum of Activities

Analyse the activities undertaken by the company. Companies which only concentrate on fund-based activities are subject to statutory limitations in respect of the total quantum of money they can borrow. Most of the companies which are engaged in only fund-based activities such as Leasing and Hire Purchase are likely to have low profitability. These companies usually compete with subsidiaries of banks and financial institutions which have access to cheaper sources of funds. Such competition tends to considerably reduce the profitability of these companies. The most profitable finance companies are those with diversified fee-based activities, such as Bill Discounting, Portfolio Management and other allied activities. By virtue of their integrated nature, they are able to offer a complete range of financial services which tend to increase their profitability.

Merill Lynch shares are quoted at a P/E Ratio of 9 against 40-60 for most finance companies listed on BSE — Do ascertain if those skyrocketing prices are really justified in all cases.

Ask yourself, does the company you have invested in, or are about to invest in, offer a broad spectrum of services to enhance its profitability?

Entry Cost

Usually the price earning ratio of a manufacturing company is much higher than that of a finance company. This is because in addition to the earnings of the manufacturing company, a certain premium may be accorded to them for the time and efforts invested to establish such a unit — assembling man power, technology, requisite infrastructure, and getting requisite government and other statutory approvals etc. Moreover, for capital intensive projects, the sheer size of investment often restricts competition. This does not apply to a finance company which can be started with relatively much more ease and smaller capital investment than a manufacturing company.

Ask yourself, does the company in which you have invested or are about to invest in, have more or less the same P.E. ratio as that of a manufacturing company?

Appreciation of Assets

Today, share prices of several manufacturing companies (particularly capital and import intensive projects) have gone up on the basis of replacement cost theory i.e. how much it would cost in today's prices to set up similar plants. The same theory does not apply to a finance company as the assets of the company which are usually leased or given on Hire Purchase basis fetch in a fixed return irrespective of the appreciation in the value of such assets.

Future Profitability

Every other finance company is talking of establishing a bank or mutual fund. Please ascertain the correct financial standing of the company. Analyse the past track record which will give you an insight into the management's ability to react to new business opportunities. Analyse the future plans and how it would translate in terms of profitability in the years to come.

Ask yourself, does the company you have invested in or are about to invest in, have the potential to convert opportunities into profits?

Indeed, in this sunrise industry, there are high rewards (for a few) but also risks.

Remember the 1985-86 spurt of leasing companies. Which of these companies have survived, grown and prospered during the following 3 years? Ask yourself which of such "leasing" companies have managed to convert themselves into an integrated "financial services" company.

Now, are you still as optimistic about the share prices of the finance company you wish to invest in or have invested in? We would appreciate your opinion on this issue so do write to us with your comments.

If you wish to know more, please write to us for a free booklet on **"An Insight into the Financial Services Industry".**

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AN UNUSUAL PITCH

Director's Special Book of Cricketing Controversies (Researched by Ravi Kant Srivastava; Ritam Communications for Shaw Wallace & Co; 1992; pp 152 + xv; Rs 50.)

This is the second book on cricket released during last month's World Cup season, the other one being the *Wills Book of Excellence* on one-day cricket. Interestingly enough, both these books have been promoted by corporate sponsors which are, coincidentally, Calcutta-headquartered.

It requires a measure of ingenuity to hit upon an aspect of cricket which has not been written about. To the credit of the publishers, who were doubtless able to distil added inspiration from the spirit to which this book is dedicated, they were actually able to find one — namely, cricketing controversies: "The lover of the game would enjoy dwelling on some of the more exciting moments of cricket of a variety distinct from runs, wickets and scorecards."

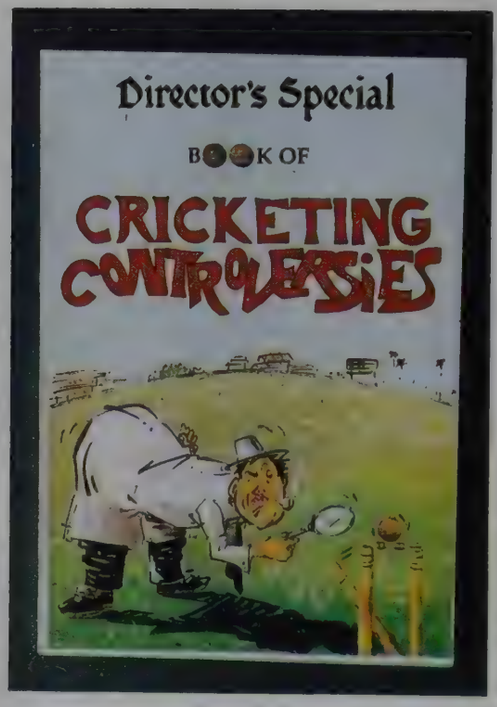
The romance of cricket, runs the argument (were one needed!), is only partly linked to match play and statistics. The rest is all about folklore, tradition, rules, violation of rules, explosive personalities and controversies. It is these latter "unusual aspects of the game" which have been captured in this book, although to make it contemporary only the past 25 years have been taken into account.

This book is indeed a cricket-lover's delight. The following two nuggets tell their representative tales — and the book is full of them.

■ **India vs Australia, Melbourne, 1980-81.** Dennis Lillee brought one back and the ball struck Gavaskar in the shin region of the right pad. Umpire Rex Whitehead and bowler Lillee thought it was plumb leg before. Gavaskar thought he had played the ball. He gestured to Lillee, pointing to his bat. Lillee walked up to the batsman and pointed to the pavilion. Umpire Whitehead was firm in his dismissal. India's captain walked a third of the way to the dressing room and then stopped in his tracks. He came back to the wicket, took hold of Chetan Chauhan and started to drag him back with him. Indian manager Shahid Durrani was quick to react. Speaking persuasively first to Sunil and then to Chauhan, he sent the latter quietly back to the wicket for the match to resume.

All the pent-up frustration of a beastly tour, total loss of personal form and other grievances had taken its toll on the great batsman.

There was an amusing sidelight to this match. A media man asked Gavaskar after India's victory whether he was happy that he had not walked out. Sunil retorted that having been dismissed, he had to walk out, but he was happy that he had not taken Chauhan with him. Greg Chappell



was queried by Richie Benaud as to what he would have done if Chauhan had, in fact, been taken off the field. Chappell said that he would have waited two minutes, then appealed and had Chauhan back in the pavilion as well. He would then have done the same for the rest of the batsmen. "The Indian side would thus have been dismissed in the next 20 minutes."

■ **England vs West Indies, Queen's Park Oval, 1974.** When Bernard Julien played the last ball of the second day down the pitch, Greig, fielding at silly point, seeing Kallicharan (142) out of his ground, threw down the bowler's-end stumps and appealed. Kalli was given run out. In actual fact, Kallicharan had just been making his way to the pavilion, preoccupied perhaps with the prospect of a chilled beer and no way thinking about a run. Fully aware of this, the knowledgeable crowd in the Geddes Grant stand and Sir Errol Dos Santos stand exploded. There was a near riot. The police were called in. After a lengthy conference in the dressing room between the administrators, captain and umpires, the appeal was declared as withdrawn and Kalli could bat again on the morrow. Present at the meeting were Donald Carr and Mike Denness, skipper Rohan Kanhai, manager Andy Ganteaume, umpires Douglas Sang Hue and Ralph Gosein and members of the West Indies Cricket Board of Control Jeff Stollmeyer, Lance Murray and Joe Solomon. John Thicknesse, English correspondent, who covered the match, reports that Garfield Sobers was of the opinion that Greig should have been sent home following the incident. Thicknesse states that the fact that Greig was by birth a South African would be played up by the media, especially in Jamaica and Guyana.

Tony Greig appears a bit ambivalent about the whole thing. He said in his apology that he reacted 'instinctively.' After all, the two batsmen had walloped the last six overs for 42 runs. He acknowledged that there was no way Kalli would be walking a single of the last ball of the day.

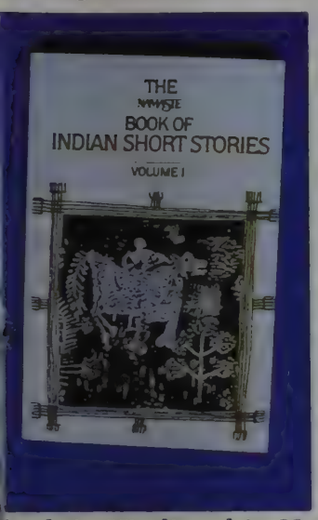
Agreed, he made a mistake, but then why did he appeal? And when the umpire put up his finger, could he not have said he was withdrawing the appeal. Greig sums up it thus: "What followed was unpleasant for me, but not half as unpleasant as it might have seen if Kallicharan's dismissal had stood. In my defence I have to say that I honestly thought the batsmen could be running..."

Kallicharan remembers it thus: "It was the last ball of the day. I was the non-striker. Umpire Sang Hue didn't see properly and, in fact, half the English players were caught napping. It really took away something from one of the best hundreds I have ever made. Luckily a rest day followed and that helped to calm the situation and, in the end, they had to reinstate me."

A GOOD COLLECTION

(Edited by Monisha Mukundan; UBS Publishers' Distributors, New Delhi; 1992; pp 152; Rs 45.)

This volume comprises a contemporary collection of short stories by popular writers and by less familiar authors, chosen to reflect the concerns of present-day life. Humour, philosophical verities, supernatural happenings, social comment, the quest for truth and human interaction all come into their own in settings as varied as the regions from which they are drawn.



The first story, *The Two Magicians* by the celebrated Satyajit Ray, deals with an unusual subject; a slight supernatural twist gives it an added dimension. *Sunder* by Ashokamitran, a well-known Tamil writer, has all the understated comedy of masterly writing. *The Surprise* by Mohammad Mankad portrays the changing mores of modern-day India, in a Gujarati setting. The late Chandra Auluck's *Fragments of Pain* focuses on the changing patterns of urban life. Ram Lall, the author of *The Grave*, writes both in Hindi and in Urdu and is among the most highly regarded writers in these languages. Nabaneeta Dev Sen (*Compassion*) has an enthusiastic following in Bengal, where her lively travelogues, full of amusing disasters, and her autobiographical short stories have made her a household name.

Serendipitous business. Editor Monisha Mukundan explains that finding good stories is a serendipitous business, dependent on the availability of good translations, on access to interesting material, on making contact with writers and translators and with those involved with literature. She acknowledges that this selection might seem regionally imbalanced; however, the criterion has been stories "that have an integrity and strength of their own," and not a "bureaucratic representation" of all of India's languages or regions.

An interesting feature is the inclusion of stories written originally in English. "English is being used by writers to express their perceptions of realities of contemporary India, with as much facility and authenticity as any other Indian language," says Mukundan. Of course, she is right.

A word about *Namaste*, the quarterly magazine on India published by ITC's Welcomgroup hotels division. Since 1987, *Namaste* has been bringing out an annual issue of short stories. With this book, the first volume of a continuing series of short story collections gets launched; several more are yet to come.

The stories published here are easy to read and worth remembering. Each has an insight to offer which enriches the reader, widening his or her view of our world and those who inhabit it. And when all is said or done, it is the desire to read on and the sense of satisfaction at the end that are the validation of any writing — and reading.

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The Tenders sent by post must be sent under Registered cover so as to reach the above address before closing date and time, the late Tenders will not be considered

THAKORE'S PEOPLE



There was a round of parties and much celebration in balmy Madras late last month. The occasion: the fifth anniversary of Anugrah Marketing & Advertising (AMA), one of that laid-back southern city's fastest growing advertising agencies. The host: savvy advertising professional R.V. Rajan (49) who after a quarter century in established ad agencies took the plunge and went solo with AMA in 1986.

Since then AMA has grown to become a respected, mid-size, highly-computerised ad agency with a gross annual billing of Rs 2 crore and a staff strength of 20. "I am quite pleased with the way AMA is shaping. Self-employment not only offers one the opportunity for asset creation and making meaningful savings but, more important, it allows an individual to do the kind of businesses which are interesting," says Rajan.



THE RAJAN FAMILY: *Ambitious plans*

And, mainline advertising apart, Rajan is interested in the entire gamut of advertising activities for which he has promoted several other companies which are feeling their way in futuristic advertising related businesses. These are Balaji Avis (corporate video and television commercials); Little Things (direct mail) and Avis Data Services (desk top publishing). Particularly noteworthy is that Balaji Avis has produced a management training film as also a book *Human Resources Management — A Corporate Perspective*, both of which have received excellent reviews.

The speed and ease with which AMA has struck firm roots in the receptive soil of Madras is not surprising when one evaluates Rajan's wide and varied experience in the upper echelons of Indian advertising. A commerce graduate of Bombay University, Rajan began his career in the persuaders' profession in the tough terrain of the ever-newsy Clarion Advertising Services as a management trainee in 1964. Five years later he signed up with Grant Advertising. In 1971, when Clarion promoted its subsidiary ACIL, Rajan was recalled and appointed the Delhi-based CEO of the agency.

In 1974, when the tensions which resulted in the dramatic Clarion-ACIL divorce began to simmer, Rajan was re-grabbed by Grant Kenyon & Eckhardt (GKE) and entrusted with the task of setting up its Madras office and operations. This mission he accomplished with conspicuous success, chalking up a gross annual billing of Rs 1 crore from clients such as Shaw Wallace, MRF and BASF. A decade later, when GKE was absorbed into Contract (the HTA subsidiary), Rajan put in his papers and promoted AMA, taking most of his accounts with him.

Rajan's future plans for AMA and its associate companies are characteristically ambitious. They include setting up rural communication and market research units and beefing up direct marketing operations. "The future of advertising in India is very bright. The new liberal economic policies are likely to stimulate mass production and create competitive buyers' markets. These developments are certain to intensify the demand for advertising and related services," he predicts.

An active Rotarian and Indian representative of the Singapore-based Asian Mass Communication Research & Information Centre, Rajan lives in Madras' lush upmarket suburb of Adyar with his writer-wife Prabha and children Kavita (19), Soumya (17) and Balaji (12).

The people most aware of the importance of corporate identity and image are top management and/or the growing tribe of public relations experts, right? If you answer in the negative, you advance to the second row. But if you mention Sudarshan Dheer, you top the class. For the simple reason that Dheer makes a living — and quite a good one too — by designing corporate identities and images.

"Creating a corporate identity requires much more than designing a trademark. It requires the creation of an entire environment in which a trademark can live and grow. And creating such an environment necessitates paying attention to signage, stationery, company vehicles and the design of interiors and exteriors," says Dheer, the promoter-CEO of Bombay-based Graphic Communication Concepts (GCC), a firm which specialises in creating corporate identities.

You can rest assured that Dheer knows what he is talking about. Recently he received intimation from the International Trade Marks Center, Brussels that 32 trademarks and corporate symbols conceptualised and designed by him are to be included in their permanent collection and featured in the worldwide publications of the Interecho Press.

Indeed, though domestic clients of GCC include State Bank of India, Industrial Credit & Investment Corp of India (ICICI), Industrial Development Bank of India (IDBI), Mukand and Herbertsons among others, it would not be inaccurate to say that Dheer's graphic design skills are better appreciated abroad. His work has been extensively reviewed in 31 reputable publications abroad and foreign clients include the Equatorial Bank (London), Style Asia (Hongkong), Asia Star Diamonds (Tokyo) and

Jewellex Exports & Impex Diamonds (New York). "The latter three companies are Indian diamond export firms for which I have designed corporate symbols, stationery, signage and office interiors. Being in the competitive export business, they realise the importance of corporate identity and image," says Dheer.

If Dheer can today speak with authority on the subject of graphic depictions of corporate identities, it is because his skills have been painstakingly cultivated. A painting and applied arts graduate of Bombay's J.J. School of Art, Dheer began his career as a studio designer at National Advertising Services (1958-59) and at Heros Publicity Services (1959-64). Thereafter he signed up with the meteoric MCM and rose to the position of the creative but ill-fated agency's art director. In 1973, after two years as art director with Frank Simoes Advertising, he promoted GCC. "I felt there was a void in the design industry. Comprehensive corporate identity projects which require a great deal of study and time are not viable for ad agencies. I felt there was a need for this service," says Dheer explaining his decision to go solo.



THE DHEERS: *Success symbol*

The editor of the authoritative *World of Symbols: Logos & Trademarks India* (Grantham, New York, Rs 595), Dheer lives in south Bombay with his wife Hardesh and daughters Gowri (26 — an architect) and Reva (20 — a veterinary student).

One of the frontrunners if not the frontrunner in the great cable and private television broadcasting race, which has begun with the revolutionary advent of satellite television, is Amit Khanna (41), chief executive of Bombay-based Plus Channel. Recently promoted by Khanna with the backing of new generation industry tycoons Ajit Gulabchand, Dilip Piramal and Jayesh Choksi (Gutic Pharma), the company is all set to turn the welcome satellite invasion threat to Doordarshan into an opportunity for itself.



KHANNA: *Bollywood bachelor*

"The objectives of the company are to bid for private broadcasting rights and channels once this is permitted by law and to conceptualise and produce video programmes using cable television as a medium for segmented markets. We have plans to produce business, music, and women's and children's programmes which will become available to citizens for viewing," predicts Khanna.

And it's hardly surprising that Khanna is able to make sense and spot a business opportunity in the bewildering changes and chaos which almost overnight has brought the world into Indian living rooms via satellite television. He has worked in the movie and small-screen entertainment business for over two decades, in the process emerging as the most articulate spokesman of the rather downmarket Indian movie industry.

But Khanna himself is hardly downmarket. An English literature graduate of Delhi's elite St Stephen's College who began editing a magazine (*Tempus*) while still a student, Khanna began his acquaintance with the entertainment business in theatre. In 1971 a chance encounter with movie actor Dev Anand provoked the latter to offer him a job in his Navketan Studios of which Khanna rose to de facto CEO in 1974. Involved with almost all disciplines of the movie-making business, Khanna not only wrote award-winning scripts (*Saaransh*) but also lyrics for song and dance sequences — a hardy Bollywood staple.

In 1984, by which time the belated television boom had captured the public imagination, he produced one of the country's first sponsored entertainment programmes featuring Pakistani pop star Nazia Hassan. And in 1986 he co-produced the mega-hit serial *Buniyaad* for television. In 1990, probably fed up with the lack of opportunities in government-controlled Doordarshan, Khanna promoted Paradigm Media to develop and produce programmes for the electronic media. In March 1990, the new company launched the monthly video programme *Business Plus*. Exactly a year later *People Plus* was launched and, in 1992, the latest offering is *Bollywood Plus*. Now Paradigm Media has been absorbed by Plus Channel, in which Khanna is a minority shareholder, but CEO.

"Within a matter of months, the home entertainment scene will change beyond recognition," predicts Khanna, an eligible bachelor who lives in Juhu, the heart of Bollywood.

- *The author is the former editor of* Business India, BusinessWorld *and* Debonair.



KHATAU: *Catering to nature lovers*

Rina D. Khatau is the wife of Dilip Khatau, chairman of the Khatau group. But that's not her only claim to fame. She is a graduate from Singapore with extensive experience in advertising, hotel management and sales.

Today, she manages Tiger Tops Corbett Lodge, owned by Khatau International. The lodge, on the banks of the Kosi river in western Uttar Pradesh, is in the heart of Jim Corbett country.

Khatau says that the project evolved due to her husband's interest in wildlife. "I wanted to be part of it and manage the lodge for him," she explains. "We opened unofficially on 1 January 1992. Business went up by 25% in February. We hope to break even by next season." The plan is to eventually set up a chain of such resorts all over India.

"Being animal lovers — I have a pair of Bhutias (a breed of dog) and an elephant! — and conservationists at heart, Corbett's philosophy inspired us," says Khatau. "We are also trying to create an atmosphere for the busy city executive to relax in and be one with nature." Will the city "tigers" come trooping in?

An actuary who has come a long way since becoming a chartered accountant (CA) in 1951 is 62-year-old N.C. Sundararajan, senior partner of the Madras-based N.C. Rajagopal & Co. Sundararajan was recently elected president of the Institute of Chartered Accountants of India (ICAI), the august body comprising some 60,000 members.

One of the major jobs he has during his term is to oversee the smooth implementation of the new rule of the institute which allows students to enrol for the CA course directly after high school (10+2). All this will mean a new generation of CAs who will win their spurs at an younger age than their predecessors.

Does that mean more competition and a younger retirement age for the existing practitioners. Not necessarily. Increasing demand apart, CAs tend to run in the family. Says Sundararajan: "My father was a CA too." There are some professions where the traditional guild system is still very much alive and kicking.

SUNDARARAJAN: *New charge*



It's been 20 years since an Indian received this award, so Batliboi & Co chairman Pratap Bhogilal has every reason to feel proud.

But the Great Mark of Honour and the Officers Cross, bestowed on Bhogilal by Austria in recognition of his role in the promotion of Indo-Austrian trade, has been a shade unexpected. "I did not even know such an award existed," says Bhogilal. "It has come as a pleasant surprise."

At 76, Bhogilal must have had his fair share of surprises in his time. But, still hale and hearty, he is evidently ready for more — and a long innings.

What explains the fact that he is still going strong? "I am a non-smoker, a teetotaller, a vegetarian and go for an hour's walk every day," says Bhogilal. Wise advice.

BHOGILAL: *A pleasant surprise*



6-19 MAY 1992
AN ANANDA BAZAR
PUBLICATION RS 10

SHAREHOLDER PERKS

BusinessWorld

THE MAGAZINE FOR INDIAN BUSINESS

CHHABRIA VS CHHABRIA





Corporate Reports

- Standard Motor
- Sumeet Group
- Sterlite Industries
- Skypak Group
- Binny
- Bengal Chemicals
- Toshniwal Group
- Weizmann Industries

The EXIM Bank Casebook No. 6

1982–1992



EXIM Bank customers reach unusual places.

The bottom of a Ford is hardly the place you would expect an EXIM Bank customer to reach.

Fact is, for Mascot India, this was a sign that the US automobile industry had accepted its quality tools.

Let us tell you how it happened.

Time was when Mascot India decided to shift their export emphasis from West Asia to the US. A more lucrative market.

The company targetted its hand-tools at two segments. One, the quality conscious original equipment manufacturers, garages and master mechanics. Two, the price conscious 'Do-It-Yourself' market.

At this point in time, EXIM Bank entered the picture. An analysis was done. Which demonstrated potential in the company's products.

Together, under EXIM Bank's *Export Marketing Finance Programme,* a comprehensive strategy was designed to create new export capabilities.

Market Research revealed that the "combination spanner," a versatile modern tool could well head the export thrust.

It also made sense that Mascot focus only on the quality conscious segment.

Of course, first the *product quality* had to be upgraded. From carbon steel to chrome vanadium.

And a packaging consultant had to be appointed to evolve *market specific packaging.*

Promotion of Mascot's products amongst identified customers was done through exhibitions and trade shows.

Market research, product upgradation, packaging design and promotional expenses are all elements in a strategic export marketing programme. Which become possible under EXIM Bank's *Export Marketing Finance Programme.*

So it's no surprise that with this kind of support, Mascot's exports are set to double in 1992.

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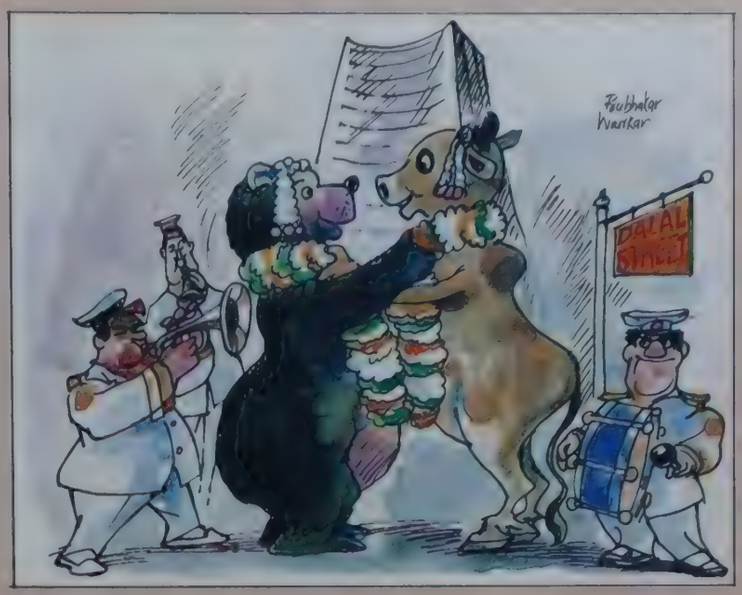
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BUSINESS QUOTES



I visualise lots of mergers and acquisitions in the broking business.

Merchant banker & DSP Financial Consultants vice-chairman Shitin Desai, quoted in Business Today.

Darwin had proved long ago that the concept of survival of the fittest prevails. The same is true of industry. Probably, we are now in the age of Industrial Darwinism.

Department of electronics secretary N. Vittal on life after the budget, quoted in The Observer of Business & Politics.

Our philosophy is that if we are not amongst the top five, we get out of that segment.

Kirloskar Electric vice-chairman & managing director Vijay R. Kirloskar, quoted in The Economic Times.

Takeovers are a fact of life... Managements should be on their toes.

Securities & Exchange Board of India chairman G.V. Ramakrishna, quoted in Business Standard.

Maharajaji wants it.

Vayudoot managing director Vijay Trehan on Vayudoot's proposal to enter the capital market, quoted in The Sunday Observer.

I don't know what it was like to be a maharaja, quite frankly. We were never really maharajas.

Minister for civil aviation & tourism Madhavrao Scindia, quoted in Gentleman.

The book value of the equity of Bharat Heavy Electricals Ltd (Bhel) is only about Rs 840 crore, but the market value of all its assets is between Rs 15,000 and Rs 20,000 crore. What prompted the government to sell 20% of Bhel's equity at its book value?

National Confederation of Officers Association president K. Ashok Rao, quoted in The Independent.

In today's world, a computer without a good telecom network is about as useful as a phone without STD facilities.

Modi Olivetti chairman B.K. Modi, quoted in India Today.

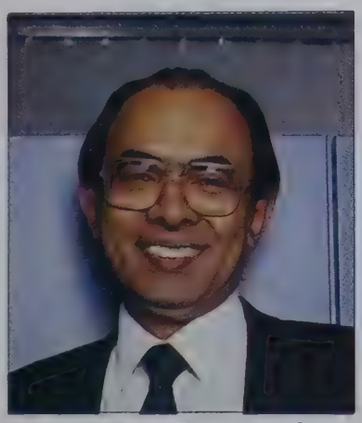
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INFORMATIONWORLD

A POOR COUSIN NO MORE

After languishing in Wipro InfoTech's shadow for most part of the eighties, Wipro Systems has turned around and come into its own. President "Mani"



SUBRAMANIAN: *Export push*

Subramanian is looking to the overseas markets.

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INTERVIEW

"EXPORTERS MUST BUCK UP"

Nevertheless, Export-Import Bank of India chairman & managing director Kalyan Banerji feels that India's export effort hasn't been too disheartening in the present circumstances.

BANERJI: *Calling for change*





MANU (LEFT) & KISHORE CHHABRIA: *Falling out*

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COVER STORY

CHHABRIA Vs CHHABRIA

The Chhabria brothers — Manu and Kishore — are at loggerheads. Though an amicable division of the empire had been apparently agreed on some time ago, it now promises to be a messy affair. What led to this sorry pass and what's cooking now?

119

BACK OF THE BOOK

NEW SYLLABUS

As competition intensifies in the corporate world, a number of Indian companies are sending their executives to management training and development schools. Some are even setting up exclusive staff training centres.

78

SPOTLIGHT

SHAREHOLDER PERKS

Shareholders are primarily interested in dividends, bonus and rights issues and capital appreciation. But there are several companies which are doling out discounts, scholarships, insurance and other freebies. Do they work?

48

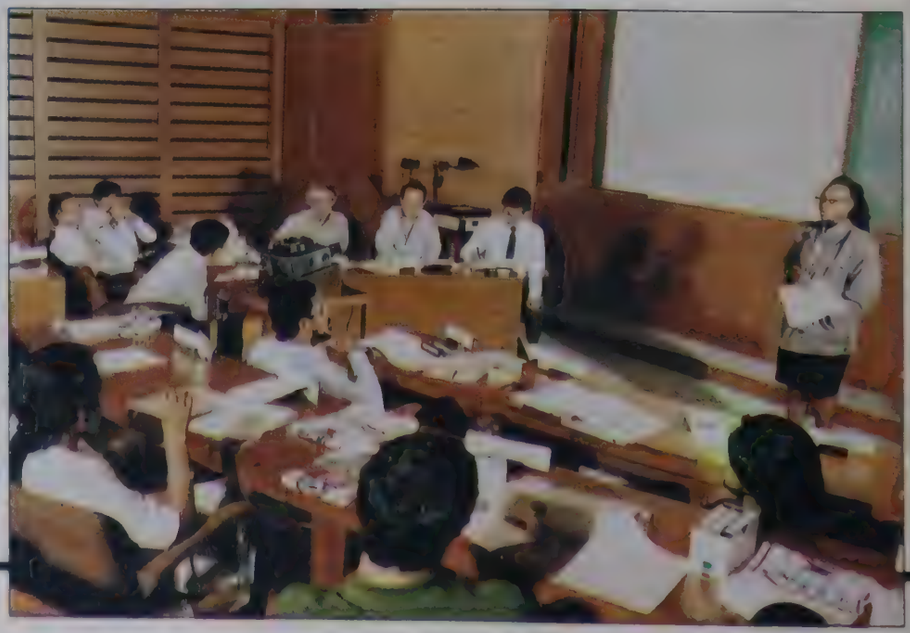
AD&MARKETINGWORLD

HTA: GEARING UP

Hindustan Thompson Associates (HTA) is all set to notch up another first by crossing the Rs 150 crore billings mark in the just-concluded year. CEO Mike Khanna says it is beefing up its services to meet the needs of its clients in future.



KHANNA: *Another landmark*



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BANKING & FINANCE

ADDING DEPTH TO DEBT

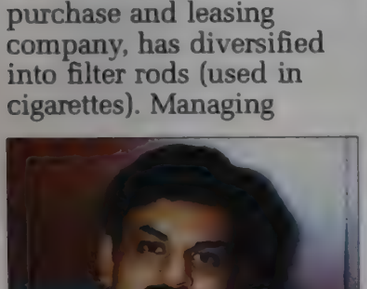
The current equity mania notwithstanding, companies are capitalising on liberalised norms and experimenting with innovative debt instruments.

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IN THE NEWS

FILTER INFILTRATION

Radha Krishna Exports, a Calcutta-based hire purchase and leasing company, has diversified into filter rods (used in cigarettes). Managing



KANORIA: *New venture*

director Hemant Kanoria's mission is to make the cancer stick less harmful.

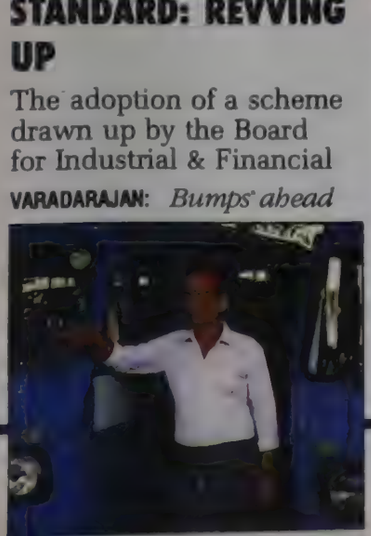
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CORPORATE

STANDARD: REVVING UP

The adoption of a scheme drawn up by the Board for Industrial & Financial

VARADARAJAN: *Bumps ahead*





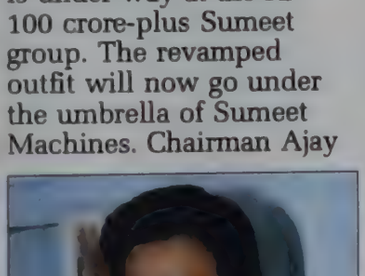
A VIEW OF BIJAIPUR: *Questions galore*

Reconstruction has given Standard Motor Products a second lease of life. But managing director K.V.A. Varadarajan has an uphill task ahead.

27

SUMEET'S NEW BLEND

A consolidation exercise is under way at the Rs 100 crore-plus Sumeet group. The revamped outfit will now go under the umbrella of Sumeet Machines. Chairman Ajay



MATHUR: *Consolidation time*

Mathur is working out the details of the restructuring process.

Other Corporate Reports on Sterlite Industries, Binny, Weizmann Industries, the Skypak group, Bengal Chemicals and the Toshniwal group.

12

ECONOMY

NEW FLARE-UP

The HBJ pipeline once again finds itself smothered by controversy. The reason this time is that no one knows how much gas there really is.

15

MIRED IN CONTROVERSY

The 50-day jute workers' agitation in West Bengal didn't hit the industry too hard. Rather, it was the Indian Jute Manufacturers' Association (IJMA) that had to face the major brunt.

16

THE LAST CCI

The office of the controller of capital issues (CCI) is to be wound up soon. But the last CCI Kamal Pande says he is busier than ever.

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C.F.T.R.I., MYSORE

LESSONS FROM TIRUPATI

The Congress is dead. Long live the Congress.

In a way, this time-honoured slogan encapsulating continuity with change best describes the lesson to be learnt from Tirupati last fortnight. All but the most intellectually diehard are amenable to the idea that a change of course must take place; naturally, it is most expedient to effect this change while pretending that 'Nehruvian principles' are thereby being upheld. Indeed, party spokespersons have declared that the whole world is veering round to the acceptance of the Nehru model! So be it.



Actually, Tirupati provided a fine example of how the so-called bad attributes of the Congress party — its amorphous, faction-ridden, quintessentially unprincipled character — can be converted into its strengths. Its mainstream is, shall we say, broad enough to accommodate even outlandish points of view or ideological stances; since there are no defined, definite stances, and nothing is inflexible anyway, diametrically contradictory stands can merrily coexist.

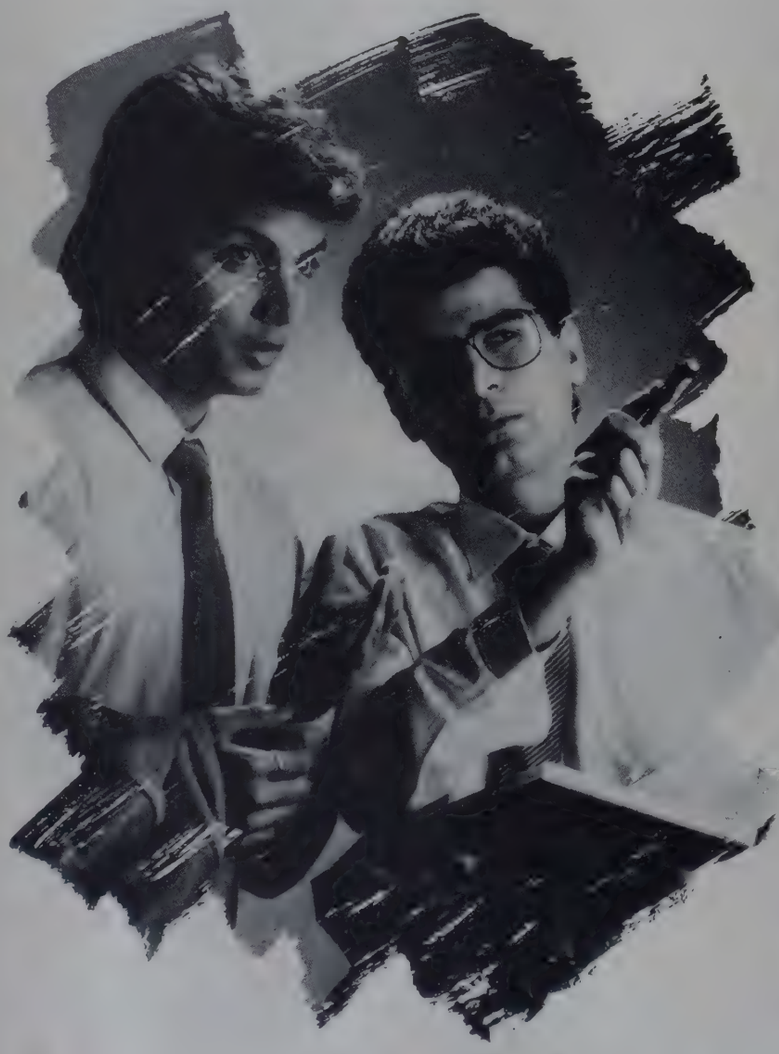
Power, as always, remains the Congress party's best cementing force. To the disinterested observer, the plenary deliberations at Tirupati were not even without their aspects of humour. For instance, even though the current liberalisation and debureaucratisation moves are the opposite of what began as the Avadi resolution of 1956 and culminated during Indira Gandhi's socialist/populist phase in the early seventies, the consensus at Tirupati was that no 'basic departure from previous policies' has been made.

In sum, Tirupati was a display of realpolitik at its most pragmatic. Narasimha Rao has played his cards with utmost shrewdness, beginning from the choice of venue in his Congress-ruled home state to the non-mention by name of any person or party in his remarks condemning casteism. (This clearly leaves the door ever-so-slightly ajar for a possible future handshake with the Bharatiya Janata Party!)

Leading the Congress party is somewhat akin to riding a dinosaur — the parallels lie in ungainly size and peanut brains. It might be best to keep the dinosaur tranquilised, so that the nation's economy can get going unhindered.

In sum, Tirupati was a display of realpolitik at its most pragmatic

Ind Prakash: Because busy executives need to know their hard-earned money is earning rewards too.



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3rd Year	15.50%	End of 34th month	1498/-
4th Year	15.75%	End of 46th month	1734/-
5th Year	16.00%	End of 58th month	2011/-
6th Year	16.25%	End of 70th month	2338/-
7th Year	16.50%	End of 82nd month	2724/-
8th Year (for last 8 months)	17.00%	End of the Scheme	3032/-
* indicative			

Scheme	Type of Scheme	N.A.V. before dividend as on 31.3.92 (Rs.) For Face Value Rs. 100	Annualised growth of N.A.V.**
Ind Ratna*	Growth	407.46 (in just 25 months	156%
Swarna Pushpa	Income	181.28 (in just 25 months)	46%
Ind 88A	Tax Saving – Growth	568.26 (in just 18 months)	312%
Ind Jyothi	Income	172.61 (in just 16 months)	54%
Ind Sagar	Growth	249.79 (in just 7 months)	257%
Ind Moti	Growth	203.85 (in just 7 months)	178%

* Market Value as on 2.4.92: Rs. 1200/- ** Includes dividend declared.

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LETTERS TO THE EDITOR

C.F.T.R.I. MYSORE



INFORMATIVE ARTICLE

Kudos to your magazine for the Business Feature "The big Birla's big plans" (*BW* 8-21 April 1992). The article was truly informative and gave a lot of insights into the plans of Birla's flagship — Grasim. The article will be of immense use to international readers too, especially since the company is soon slated to come out with an Euroequity issue.

Pallavi Khemka
Ahmedabad

AMATEURISH PIECE

The Executive Careerpath article by Walter E. Vieira 'Effective time management' (*BW* 25 March-7 April 1992) does not help the busy executive to manage his time. The article just points out that most managers do not know how to manage their time and that they should do it. This is known to everyone concerned and, in fact, what executives need to know is "how to manage their time effectively." Without giving useful tips towards this, the column is extremely amateurish. Frankly, it reads like a lesson in a middle school English prose textbook.

P.S. Sundar
Coonoor

WRONG CLAIM

This refers to the InvestmentWorld New Avenues article 'Seedy schemes' (*BW* 11-24 March 1992). It appears that the Wimco-National Bank for Agriculture & Rural Development (Nabard) poplar programme is being used to lend credibility to the scheme from Grindlay Forestry. We are not growing trees on their behalf on land provided by them, as claimed by Grindlay Forestry director P. Dhawan.

Under the Wimco-Nabard poplar programme, the trees are grown by the farmer on his responsibility with Wimco providing back-up by way of planting material, guidance and buyback for the trees at rates determined by their size. Grindlay Forestry has such an agreement with us for 500 trees planted on one hectare in Amritsar district. This agreement is the same as those we have with more than 12,000 farmers.

Krishan Chopra
Manager (publicity & market development)
Wimco
New Delhi

DON'T BLAME LABOUR

The Editorial 'Overdue decisions' (*BW* 11-24 March) is extremely capitalistic and anti-labour. How can one surmise that the workers did not deserve the jobs in the first place? Are the workers responsible for inefficient functioning of the public sector? Is not the denouncing of the public sector a prelude to denouncing the democratic government itself which is the father of the public sector?

S. Raghunatha Prabhu
Kerala

INCORRECT INFO

This refers to the Business Information piece by P.V. Satyanarayana 'Aquaculture projects' (*BW* 26 February-10 March 1992). There are a few errors in his statement on our hatchery at Honavar. At present we produce between 8-10 million Nauplii per week and 3-4 million Post Larvae per month. The description of number per year is terminologywise and figurewise incorrect.

Dom Viegas
General manager — commercial
Deejay Research & Breeding Farm
Bangalore

A RAY OF HOPE

The results of the survey carried in the Business Feature 'Under pressure' (*BW* 12-25 February 1992) shows that our finance minister is seen as a poor politician. However, his bold and reformative budget proposals have shown him to be a political economist. Unhesitatingly, the usual huge deficits in the budget have been slashed, and he expects people to be competitively selective in their investments rather than look eagerly to the government for inducements. Thus, a lot of incentives like s.80CCA, s.80CCB and s.80L have been removed to the utter dismay of honest taxpayers. But the withdrawal of deduction of tax on interest earned on bank deposits at source has given us every reason to hope that the distress caused by the withdrawal of these concessions may get the attention of our finance minister.

S. Sundara Rao
Madras

CLARIFICATION

The Corporate report "JBAC: different tack" (*BW* 8-21 April) is wrong in stating that our company has developed inhouse fragrances for Pond's. It is, however, correct in saying that we have developed talc fragrances for MEM International of the US to their satisfaction.

We also wish to point out that the photograph published is not of the undersigned or any member of the company.

A.D. Lalvani
J.B. Advani & Co (Mysore)
Bangalore

The error is regretted — Editor.



A PUBLIC SECTOR UNIT: *Evidence of democracy*

SEBI MOVE

The Securities & Exchange Board of India (Sebi) is planning to move towards regulating the burgeoning *khoka* market. *Khokas*, the non-convertible parts of partially-convertible debentures, are currently being bought by banks from the debenture holder at a discount. According to Sebi, the procedure often violates the Companies Act and the Securities (Contract) Act.

Sebi will soon allow *khokas* to be bought only on spot basis. The current practice, wherein banks offer to buy *khokas* from individuals, take delivery and pay up much later, will now be frowned upon. According to Sebi sources, the banks will now have to collect acceptance letters from investors, keep the requisite cheques ready and only then buy the *khokas*. In short, payment for *khokas* will have to be made within 24 hours of delivery.

Another Sebi stricture will disallow the practice of banks paying the discounted price of the *khoka* directly to the company, with the actual investor only expected to pay the difference. All such comfortable arrangements will have to be terminated and *khokas* will be traded only after actual allotment.

MORE MERGERS

The merger fever is spreading further. The latest to succumb is the Madras-based Shriram group, which derives much of its strength from its bread-and-butter business of hire purchase of commercial vehicles. The proposal is to merge all the four manufacturing companies of the group — the precision components company Rambal Ltd, Rambal Engineering and the two recently-acquired companies Madras Spindle Co and Super Shock Absorbers.

The group is also planning to merge its conveyor, cooling tower and civil construction activities into one corporate entity. The idea is to consolidate all the non-finance activities and form two large companies. The first will have an engineering base and the other a construction base. These companies will have paid-up equity capitals of Rs 6 crore and Rs 3 crore respectively.

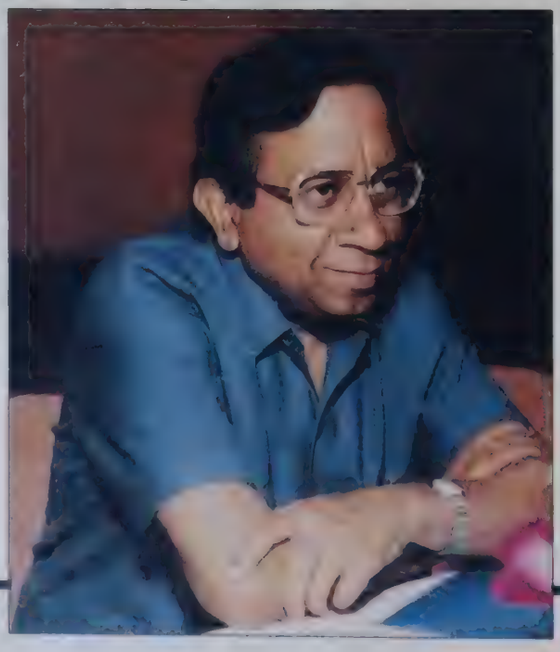
The group has also just signed memoranda of understanding with UK companies Northern Conveyors for transfer of conveyor technology and Satec for technology to turn out pollution control systems.

SMALL BITE

This was one crunch that has moved from literal to metaphorical. Gouri Prasad Goenka's much tom-tommed venture into foods, beginning with the Rs 50 lakh launch of Lite Bite potato chips last autumn, has already turned rancid. Despite the excellent quality of the product, it's not moving fast enough off the grocers' shelves.

It's no secret that GPG knows when to cut his losses. According to clued-in monitors, he has even scented an opportunity to gain from Lite Bite's impending wind-up; the second-hand plant will be dismantled and sold off to an overseas buyer, thus earning dollars for the Duncan group. GPG's finance personnel approve of this plan as being quite right.

GOENKA: *Feeling the crunch*



NEW BOSS

Somewhat surprisingly, the sudden change of guard effected at Gestetner India recently has gone quite unnoticed. Raghu Murti, the high-flying managing director from Modi Xerox whose appointment as Gestetner's managing director three years ago was reckoned as a coup, has quit his job; and the act, if the proverbial reliable sources are to be given credence, was not wholly voluntary. Board member Freddie Freemantle is holding temporary charge of this New Delhi-headquartered company, which has changed tack and decided to take on an accountant (rather than a marketer) as chief executive. The choice has fallen on Navin Chaddha, 37, from Union Carbide.



MURTI: *Forced to quit?*

Gestetner's overseas principals are convinced that India offers exciting growth prospects and that Murti simply couldn't move things fast enough — his marketing competence notwithstanding. It is now up to Chaddha to work out the sums correctly.

PETROCHEM FORAY

The 19-company-strong A.V. Thomas group is looking at post-liberalisation growth opportunities. This Madras-based group is toying with quite a few ideas: oleoresins and downstream petrochemical products.

The group is planning to set up a separate company for the manufacture of these petrochemical products and indications are that it will be in the joint sector with Cochin Refineries and Kerala State Industrial Development Corp holding some equity.

SONY ENTRY?

The Japanese are coming, despite problems in their land. If sources are to be believed, megacorp Sony is seriously looking to set up shop here. While it is jaw-jawing with several industrialists, one name which keeps cropping up is the Tatas. The grapevine has it that the Japanese giant is examining whether it can lend its name (for consumer electronics) to the country's premier business group.

A Tata company which could benefit from this tieup is Nelco. Its TV foray has turned up a not-too-bright picture. Hence, the idea is to latch on to the Sony label for some products. Confirms a top Nelco source: "Yes, Sony officials visited us, but also several others. Discussions are on, but until a memorandum of understanding is signed nothing can be said."

SAUDI VENTURE

To make up, as it were, for the disappointment of having to close down its hotel at Baghdad — and write off unpaid dues from Iraq — the Oberoi group has just signed up for a new hotel across the Iraq border. The country is Saudi Arabia, and the venue (yet to be officially announced) is the Islamic holy of holies Mecca. Apparently, the site of the proposed hotel is a prime location within hailing distance of the Great Mosque.

Of course, the Oberois are no strangers in Saudi Arabia where the group has three hotels in Dammam and Medina. With a presence in Mecca, a substantial inroad will have been made into the Islamic heartland.

BIG MAC

A.C. Muthiah's son Ashwin Muthiah is striving hard to be a blue chip off the block. The incumbent chairman of the Madras-based MAC Industries is busy blueprinting the group's plan of action in a bid to take his cluster of companies nearer to the Rs 500 crore turnover mark. The warehousing division will now concentrate on three core areas: fertilisers, chemicals and cold storage. MAC Industries has expressed its desire to invest about Rs 5 crore in adding six storage tanks and has sounded out the Madras Port Trust for leasing out about 5,000-8,000 sq metres of land. The proposal is now pending with the Union ministry of surface transport.

The recently-formed chemicals and edible oils division is also gearing up. Identified under this division are three profit centres — cytocyme, the biotech product used in making enzymes, enzymes for the detergent industry and palm oil.

CHANGE OF GUARD

Top level changes are on at the chemical and pharmaceutical heavyweight Sandoz (India). Managing director J.P. Hayoz has left for home in Switzerland on health grounds. He is being replaced by non-resident Indian Y. Karmali. Karmali has served the parent company for nearly 18 years.

LAST LAUGH

At last it's Rajive Kaul's turn to be amused. Nicco's fun and amusement park in Calcutta had run into a funds crunch during its gestation run-up earlier when the controller of capital issues (CCI) had nixed a public issue on the moralistic ground that this was a 'non-priority' project. The real reason, though, was that maverick politician Om Prakash Chautala's Disneyland project had to be stymied — hence the CCI's creative policy decision. Unfortunately, Nicco Park's application got shelved because



KAUL: *Reason to smile*

the authorities could not possibly approve one and not the other.

Now that both the CCI and Chautala are in oblivion, Kaul's joint sector company is free to go public to fund phase two of the amusement park, the only one in Calcutta.

LEYLAND PLANS

Like others of its ilk, Madras-based Ashok Leyland is thinking consolidation. The gameplan worked out includes widening the existing product range by foraying into the light and intermediate commercial vehicle segments, product upgradation, modernisation of the Hosur plant and a strong export push.

In a bid to translate these plans into action, Ashok Leyland is tying up with Iveco (also a Hinduja affiliate) for the latest series of engines, which are supposedly fuel-efficient and at a par with the fuel-emission standards in Europe.

On the export front, the company has just executed a Rs 10 crore order for polyester textiles. Other items currently being considered are garments, light engineering products such as hand tools, castings and forgings and automotive components and tyres. The current thinking is that the exports division should be spun off as a separate company.

Another company Ashok Leyland is in the process of floating will be in the area of cellular phones, in technical collaboration with Cable & Wireless of the UK. And within the power sector Ashok Leyland is looking at new opportunities and has recently forwarded its bid for a project mooted by the Delhi Electric Supply Undertaking.



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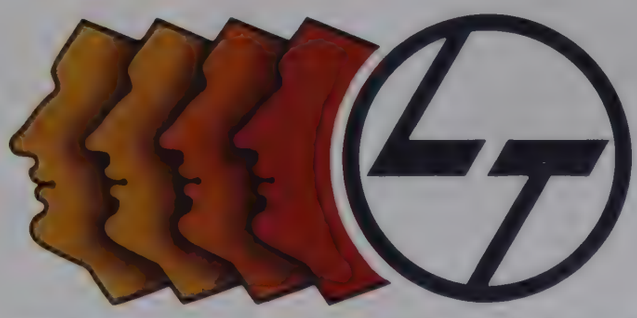
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The mega-project runs into rough weather.

FRESH FLARE-UP

Picture 1: the Hazira-Bijaipur-Jagdishpur (HBJ) pipeline has the capacity to feed more projects because units coming up along the line have not gone onstream on schedule. Conclusion: there's excess gas now going unutilised.

Picture 2: the HBJ pipeline will not have sufficient gas to feed all the projects which have been cleared. Conclusion: there simply isn't enough gas.

As five states, the Union territory of Delhi and a host of public and private sector firms begin jostling for their pound of gas and trade charges of overallocation and underutilisation, it's back to old times for the HBJ pipeline: bang in the middle of a controversy. This time, the rumpus isn't over the qualifications of pipeline laying firms. Amidst a heated tussle for multi-crore projects, question marks hang over the exact quantum of gas available through the pipeline.

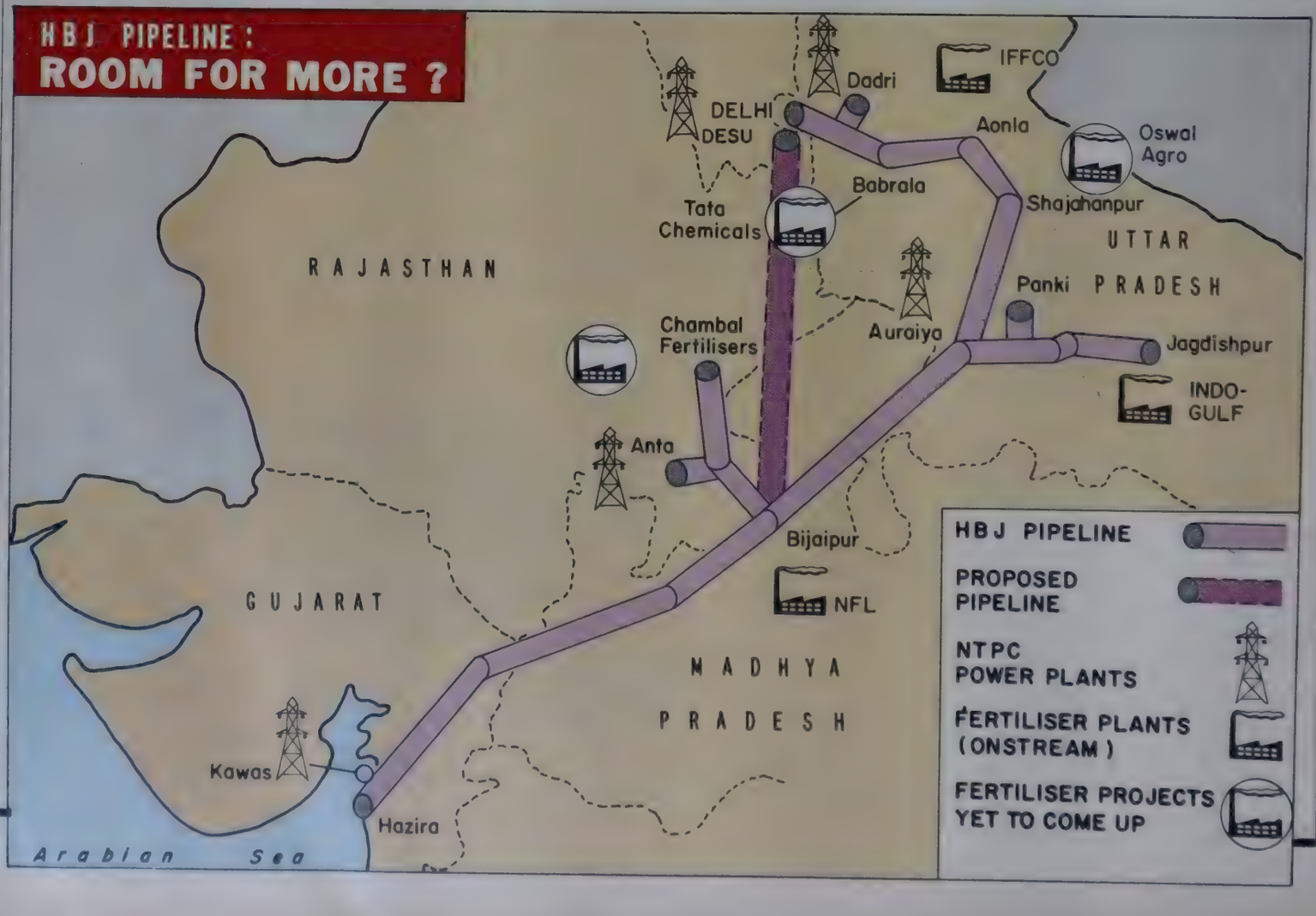
Seven years ago, the 1,730 km-long pipeline which snakes through Gujarat, Madhya Pradesh and Uttar Pradesh and has linkages to Rajasthan, Haryana and Delhi, made headlines because of the race for its construction contract. As French firm Spie-Capag bagged the Rs 1,700-crore project (approximately Rs 1,930 crore has now been earmarked for upgrading the pipeline), the HBJ pipeline, it appeared, would proceed to deliver gas according to schedule.

The question today, however, is: how much gas? Surprisingly, despite both firm predictions and advance allocations by the ministry for petroleum and natural gas, which allocated the gas, and the Gas Authority of India Ltd (Gail), which owns the HBJ pipeline, there's plenty of confusion about just how much gas there really is.

The schedule worked out by senior ministry officials and Gail representatives says the HBJ pipeline is targeted to supply up to 36.35 million cubic metres per day (mcmd) of gas by 1994, rising from the current level of roughly 14 mcmd. Each cubic metre of that gas has already been committed to as many as 22 projects, to be supplied as the units go onstream and the pipeline's capacity is expanded.

Projects already onstream include a National Fertilisers Ltd (NFL) plant at Bijaipur, the Indo-Gulf Fertiliser project at Jagdishpur, National Thermal Power Corp (NTPC) plants at Anta, Auraiya, Dadri (partially) and Kawas (trial runs), plus two liquefied petroleum gas (LPG) plants set up by Gail at Bijaipur.

Yet, almost nobody's satisfied with the way the supply's been shared out. Although the petroleum ministry was in charge of allocating the gas, most decisions on supply commitments along the HBJ pipeline were made at the Union cabinet level. Criteria for selecting projects included weighing





KAPUR: *Overallocation problem*

the relative needs for fertiliser and power, and the location of the various projects.

That made for considerable heartburn. Madhya Pradesh officials, for instance, fume at what they term "unfair allocations;" with more than one-third of the pipeline winding its way through the state, Madhya Pradesh has managed to get just 9% of the total allocation. In Gujarat, an all-party delegation argued for more gas even before it enters the HBJ pipeline, citing an acute power shortage in the state. Rajasthan, which has two projects being fed by the pipeline, is eager to get an allocation for its gas-based electricity project to be set up by the state's electricity board.

Waiting in the wings are several other hopeful contenders from both the public and private sector — by January this year, the petroleum ministry had as many as 275 pending requests for a total of 37 mcmd of gas.

The laggards. Embarrassingly for the petroleum ministry, the scramble for gas is picking up momentum even as the allocations already made are not being fully utilised. Prime laggards are the Tata Chemicals plants at Babrala, the Oswal Agro group's unit at Shajahanpur and the Chambal Fertilisers unit in Rajasthan. The three, scheduled to have gone onstream by 1987, are now due to be operational only by 1993-94.

This means that, temporarily, there are no takers for the pipeline's gas. For Gail, that means a hefty loss of revenue. Explains Gail director (finance) — who is officiating as the organisation's chairman & managing director — K.K. Kapur: "Every fertiliser plant gives me Rs 50 crore per annum as revenue. Look at that six-year delay in commissioning the three projects and our losses just add up."

True. On the flip side, however, even as they are faced with wastage and losses, Gail and the petroleum ministry are also concurrently grappling with the problem of overallocation of the available gas. Although petroleum ministry officials categorically deny the possibility of overallocation, others disagree. Points out an official of the Gujarat government: "First, commitments have been made in excess of the present capacity. And, second, commitments have been made on a firm basis to power projects which were originally expected to use gas only as a fall-back arrangement."

That could be putting it a trifle too harshly. NTPC executives react strongly to suggestions that the HBJ pipeline was originally meant to supply feedstock to just the six fertiliser plants. Says NTPC director (operations) R.V. Shahi: "We've always had firm allocations for our Anta, Auraiya and Dadri plants. And even at Kawas, where there was an indication that there could be a problem in getting gas, we've now got a firm commitment." NTPC and Gail officials argue that it makes better sense to set up power and LPG units; fertiliser, they argue, can always be imported.

The question of fertiliser versus power and LPG apart, even ministry officials do privately admit that a certain amount of overallocation has been done to "avoid wastages."

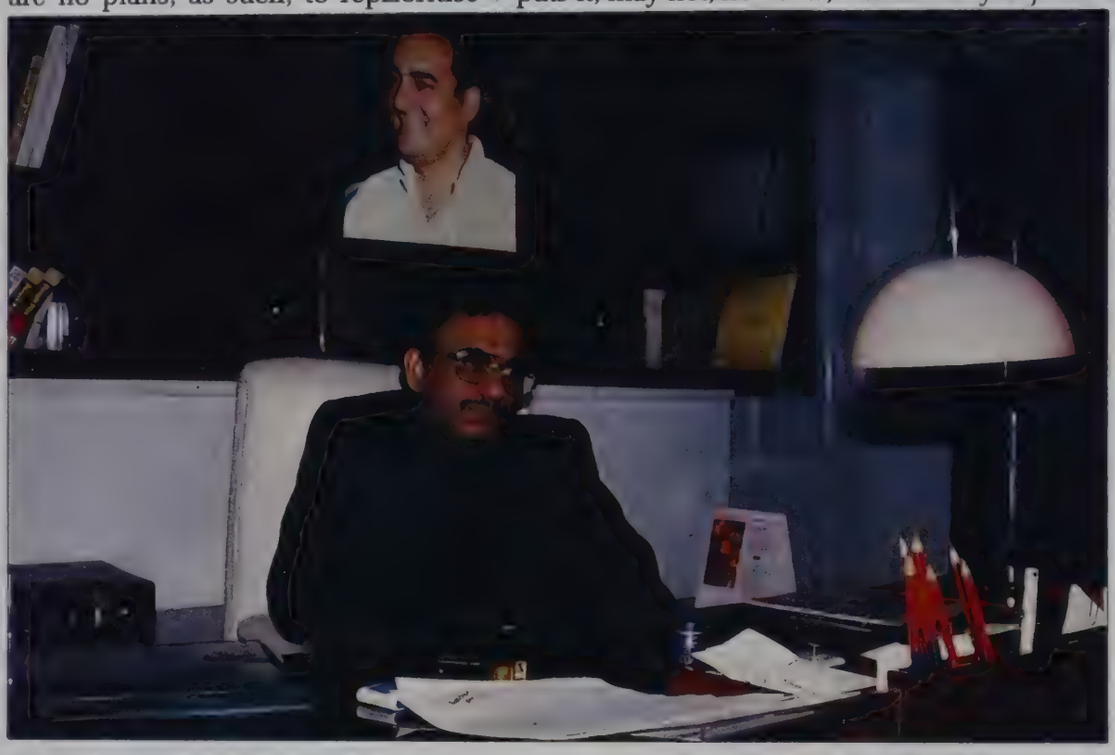
That wasn't the only reason for making higher commitments though. Kapur points out that despite realising that the HBJ pipeline's capacity would actually be 33.4 mcmd in 1994, allocations were made for as much as 36.5 mcmd. The additional allocation was made because of what experts term the 'diversity factor' — which means accounting for varying demands after taking into account seasonal troughs and peaks in the demand for power and the shutdown period for power and fertiliser plants. Two years ago, an official committee set up by the Centre fixed the diversity factor for the HBJ pipeline at 12.5 — which meant allocations were made for up to 112.5% of the pipeline's actual capacity.

A mistake? At least some officials now believe that the 12.5 diversity factor could have been a mistake. Significantly, yet another committee (the Gas Linkages Committee), which includes representatives of the ministry, Gail and the Oil & Natural Gas Commission (ONGC), is now examining the possibility of lowering the diversity factor to eight, five or even four. Says Kapur: "I'm not saying the target of 36.5 mcmd will not be achieved. But it could be difficult to supply that gas unless the Hazira capacity is upgraded."

The petroleum ministry is also reportedly looking into the possibility of tapping the Tapti gasfields in Gujarat for additional supplies to the HBJ pipeline. Predictably, news of the proposal has made the state government see red. It had earmarked the Tapti gas for a power plant at Pipavav. In early April, an all-party delegation from Gujarat met prime minister Narasimha

Rao to present a memorandum against diverting the gas. Notes a state government official: "Gujarat only has gas as a source for setting up a power plant. There shouldn't be any diversion from Tapti just because of overcommitment on the HBJ pipeline."

Aware of trouble brewing in the west, the Gas Linkages Committee is also examining another option: reviewing the projects which have already been allocated gas. Says minister of state for petroleum and natural gas S. Krishna Kumar: "There are no plans, as such, to reprioritise allocations. But the Gas Linkages Committee set up in the ministry will oversee utilisation of gas by the consumers to whom allocations have been made, and suggest cancellation in case some of the projects are not likely to come up. This will be done on a case-by-case basis."



KRISHNA KUMAR: *Looking at upgradation*

Says petroleum and natural gas secretary Ashok Chandra: "The committee will see whether the projects are coming up, or whether it is possible to divert gas to some other areas." New areas presumably would include a 800 Mw plant planned by NTPC at Farrukhabad. Says NTPC's Shahi: "We are poised to make our investment decisions whenever the gas is allocated."

The fresh look at the upcoming projects, however, could spell bad news for those that are yet to go onstream. But argues Abhey Oswal, chairman of the Oswal Agro group which is setting up a long-delayed Rs 1,150 crore fertiliser unit at Shajahanpur: "After the Janata Dal government came to power, it took us one year to persuade them not to cancel our letter of intent. Then came the foreign exchange crunch. So the delays were really out of our hands." Rather optimistically, Oswal has now applied to set up a Rs 1,800 crore, 600 Mw power plant at Shajahanpur — with gas from the HBJ pipeline.

The review of projects — "a constant monitoring process," as Chandra puts it, may not, however, result in any outright cancellation of allotments for the simple reason that substantial investments have already been made for almost all the projects assured of gas. Instead, the Gas Linkages Committee is likely to focus on paring allocations for units which seem unlikely to make full use of their quota.

Modified plan. Maintaining a fine mean between overallocation and underutilisation, however, is akin walking on a tightrope, as petroleum ministry officials have already discovered in the past. Two years ago, as the pipeline became operational but some users did not, the cabinet finalised a modified marketing plan for the HBJ pipeline. The gas, the cabinet decided, would be supplied to an Indian Petrochemicals Corp Ltd (IPCL) plant and Gujarat State Fertiliser Co (GSFC) at Baroda on a fall-back basis. Allocations were also made in and around Delhi, including for Maruti Udyog and a power plant to be set up by the Delhi Electricity Supply Undertaking (DESU) at Bawana.

But even as that helped increase utilisation, it also led to doubts over the pipeline's capacity to deliver. Says Shahi: "Perhaps it's because of better data, more accurate methods or delays in project management, but the picture about the total availability of gas appears to be gloomier today than a couple of years ago." Recollects a Rajasthan official who was earlier in the state's Kota district through which the pipeline passes: "I remember the HBJ officials had spoken of making piped cooking gas available. Nobody's talking about that today."

Most new applicants for the gas, however, are keeping their hopes pinned on the possibility of a further expansion of the HBJ pipeline. Says Krishna Kumar: "The government is considering upgradation of the pipeline." A decision on that, however, is unlikely to be taken in the near future; "No investment decision has yet been taken," says Chandra.

It wouldn't really be correct, however, to project all 275 applicants as serious contenders for the gas. All that's required for an allocation is a typed letter on the company letter head, asking for the linkage. With no other formal procedure involved, that means more than just a handful of the applicants toss their hats in the ring hoping to ensure the gas if required at some point.

Even winnowing out non-serious applicants, would still leave more than a handful of contenders who mean business. For the present, petroleum ministry officials rule out the possibility of accommodating any new applicants. That's despite the fact that the pipeline, which can supply up to 18.4 mcmd at present, is carrying only about 14 mcmd. Which puts the HBJ pipeline in the unhappy position of underutilisation and overcapacity. Or to put it another way — the HBJ pipeline does appear to have a constant companion: troubled pipedreams.

□ Sujatha Shenoy

The jute workers' strike takes its toll of IJMA

MIRED IN CONTROVERSY

The 50-day jute workers' strike didn't cripple the industry; by reliable estimates, the loss of production was worth only Rs 5 crore. No doubt a hard blow, but far from fatal. These aren't the best of times for jute; had the mills stayed open, manufacturers wouldn't have found it easy to sell their produce.

But by the time West Bengal chief minister Jyoti Basu got the unions to smoke the peace pipe with their employers, the strike had taken a serious toll of the Indian Jute Manufacturers' Association (IJMA).

Although nearly half of the state's 59 mills come under the IJMA banner, the association was unable to stay united in the face of union pressure. Just 16 days into the strike, one of its member-mills, Delta Jute, broke ranks to strike a deal with its workers. Delta had been in the forefront of the association's talks with the unions. With egg on its face, IJMA later renounced its role as the millowners' bargaining agency. It was recalled to the tripartite negotiations (the state government being the third party) and the strike did end on 17 March, but some of its members continue to exchange verbal blows.

Needless to say, most of the accusing fingers are pointed at Delta Jute. Proprietor Sunil Jhunjunwala has been branded a turncoat.

For his part, Jhunjunwala maintains he is blameless. His explanation for Delta's bipartite agreement with its unions: "Right from the beginning, I had told IJMA that I might take an individual course of action as my mill was a BIFR (Board for Industrial & Financial Reconstruction) case. I was gradually recouping from my losses and had also made a commitment to my overseas partner." Jhunjunwala claims he had informed IJMA on 28 January (the day the strike started) that Delta was close to a bipartite settlement with its unions. "I didn't want to embarrass the association, so I offered to resign (from the negotiations). But they gave me the go-ahead. Now, they've done a volte-face, squabbling like children."

IJMA's official response to Delta's action was that the whole episode was an "unfortunate" one. But not all millowners are prepared to leave it at that. Arun Bajoria, proprietor of Hooghly Jute, is vehement in his denouncement: "Delta Jute made the most immoral settlement in the history of labour relations... (the reasons Jhunjunwala offers are) lies, because quite a few other mills are BIFR cases." Speaking strictly off the record, some IJMA members go so far as to suggest that Jhunjunwala forged his deal with the unions in the hope that Delta, as one of the few mills open, would cash in on the strike.

Many members believe that Delta's settlement strengthened the unions' hand and lengthened the strike by a fortnight. Encouraged by Jhunjunwala's action, the unions stalled the negotiations in the hope that other mills would follow Delta's lead. Only when that became obviously unlikely did the unions resume serious bargaining. Ultimately, it took the chief minister's personal intervention to settle matters. The strike ended, but IJMA was unable to recoup its loss of face.

A different view. To make matters worse, some industry watchers say Jhunjunwala wasn't the only millowner to break IJMA's ranks. A few others may have actively promoted the strike. The reasoning behind this suggestion is simple: since the Russian market (which accounts for 50% of India's jute exports) has collapsed, and since May-July is the industry's traditional lean season, a strike is just what the doctor would order to correct the demand-supply imbalance and prevent prices from plunging.

Predictably, the Delta controversy led to some serious questioning of IJMA's locus-standi. Some millowners feel that the association's image as a mediating body has taken a beating. Others point out that IJMA's clout is hampered by the fact that a little more than half the mills in West Bengal don't come under its umbrella.

The strike, and the way it was settled, also led to questions about IJMA's functioning. Some members feel that the Delta episode would never have taken place if the association was run by consensus, rather than by a few powerful millowners.

Whether anybody emerged wiser from the strike is hard to say. Bajoria, for one, expects the unions to call another strike three years from now, when the new wage agreement expires. After all, putting pressure on management when it's time for an agreement to be renewed is a tactic as old as trade unionism itself. IJMA president Bharat Jalan, however, believes the 50-day strike marks the last convulsion of a dying union movement.

At the end of the day, however, it is the workers who had the last laugh. While all their unions' demands may not have been met (wages were raised by Rs 90, as against the demand of Rs 525), they've at least had the satisfaction of seeing their employers "squabbling like children."

□ D.N. Mukerjea



INSIDE A JUTE MILL: *Who laughs last?*

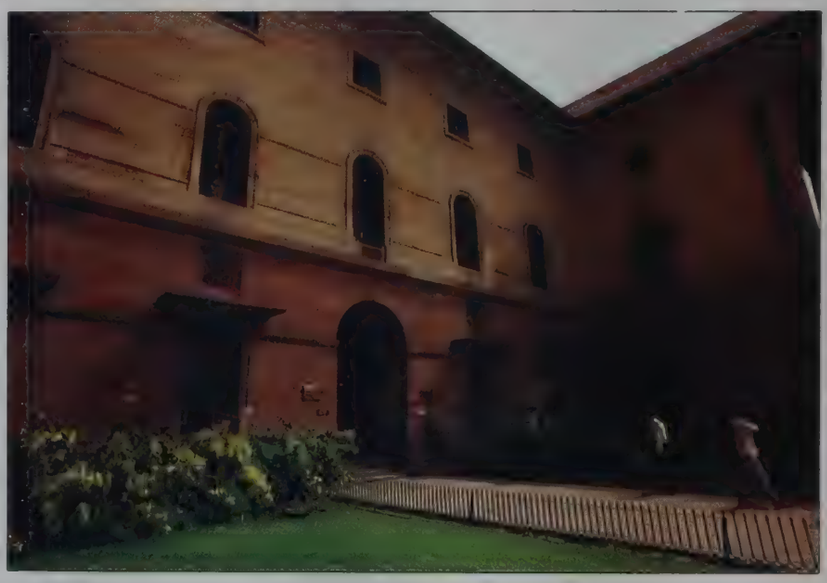
Pande's current job is to wind up the show.

THE LAST CCI

When Kamal Pande took over as controller of capital issues (CCI) in the finance ministry two years ago, little did he dream that he would be India's last CCI. "Why, even six months ago no one would have thought that this office would be abolished," he says with a quick grin.

"I got my posting on 2 April 1990, and joined on 1 or 2 May. Yes, I'm doing what Winston Churchill didn't want to do — presiding over the dismantling of an Empire," says the fast-talking CCI. Then, he quickly corrects himself: "Presiding is too presumptuous — I'm instrumental in the dismantling of the office."

In February-end, finance minister Manmohan Singh announced in his budget that the CCI's office would be abolished and that companies would be free to price their equity. The Capital Issues Control Act of 1947, said Singh, would be repealed in parliament. Parliament has yet to repeal the law, but the government is likely to introduce a bill in the next parliamentary session for this purpose.



NORTH BLOCK: *No room for the CCI*

Logically, that should trigger off a storm of protest from the staff at the CCI's office. Questions about their future hang over their heads. Will they lose their jobs, once the office is abolished?

Not quite. The CCI's office is a tiny, seven-man outfit — the CCI (of joint secretary rank), a director, one under-secretary, two section officers, a typist and a peon. "I don't think there are any anxieties," says Pande. "The finance ministry has five or six vacancies annually. They're transferable in any case," he adds.

Dual role. The public, however, has sometimes — erroneously — clubbed the finance ministry's stock exchange division with the CCI's office. The division actually falls in the ambit of the finance ministry's department of economic affairs, and reports to the joint secretary (investments). The confusion springs from the fact that in recent years, the joint secretary (investments) has also worn the CCI's hat.

Thanks to his dual role, Pande can continue in the finance ministry as joint secretary (investments), though rumours in the capital suggest that he's tipped for a diplomatic assignment in Washington — something he says he's unaware of. There's little doubt too that the stock exchange division will remain untouched with the axing of the CCI's office. Among other things, the division oversees the country's 23 stock exchanges, handles government policy on the markets and replies to questions in parliament — all with a staff of 57. "We're understaffed," complains an official of the division. "Posts won't be abolished."

The division's developmental work stands in contrast to the CCI's regulatory functions: sanctioning new share issues of above Rs 1 crore, clearing the premium on share issues and sanctioning bonus issues involving sums of over Rs 3 crore. Once the CCI's office is formally abolished, these functions will be transferred to agencies such as the Securities & Exchange Board of India (Sebi).

Pande, meanwhile, says that the workload at his office has in fact increased, abolition impending or not. The spadework on winding up the office had to be initiated. Some 12 government departments — the Reserve Bank of India, department of company affairs and law ministry, among others — had to be consulted, before the new bill could be framed. "This has been going on for the past two months," he says.

All this comes at a time when two vacancies in his office still remain vacant, thanks to the government's economy drive. To top it all, the CCI director's term expires in May — and Pande is unlikely to get a replacement.

Yet corporations won't mourn the demise of the CCI's office. Many of them have voiced reservations on the official premium-fixation norms and about share issue applications being stuck at the CCI's office. Certainly, winding up the office will give companies freedom to operate in the market, as Pande acknowledges.

Yet, other finance ministry functionaries blame the media for tarring the CCI. Said one government official recently: "The press has no good words for us. We've done several good things. The stock markets have developed, we've trebled the membership of the Delhi stock exchange and issued so many guidelines. As for the delays, there are delays at Sebi too: it's taking Sebi five weeks to clear draft prospectuses!"

Cut to Pande's North Block office. One evening last fortnight, there were no visitors queuing up to see the CCI, no constant phone calls interrupting conversation. Unlike predecessors P.G. Mankad and D.R. Mehta, Pande rarely talks to the press and keeps a very low profile. But the day was unusual, the CCI pointed out. Still, that could be one pointer to the coming times.

□ Palakunnathu G. Mathai

■ India has recorded the lowest **trade deficit** in the last decade at the end of 11 months of financial year 1991-92. The deficit has come down from $5.8 billion to $1.6 billion.

■ The government has announced major concessions in **customs duty** for capital goods. A concessional rate of 25% or 15% ad valorem has been prescribed on capital goods imported under the export promotion capital goods (EPCG) scheme, subject to specific conditions. Another notification seeks to prescribe a concessional rate of customs duty on components imported for the manufacture of capital goods to be supplied to manufacturers-exporters under the EPCG scheme.



RAILWAYS: *Radical changes*

■ Following the liberalised industrial policy, radical changes to improve efficiency of the **railways** are on the cards. The Railway Board is actively considering a proposal to delegate services like booking, reservations and even manufacturing activities to the private sector.

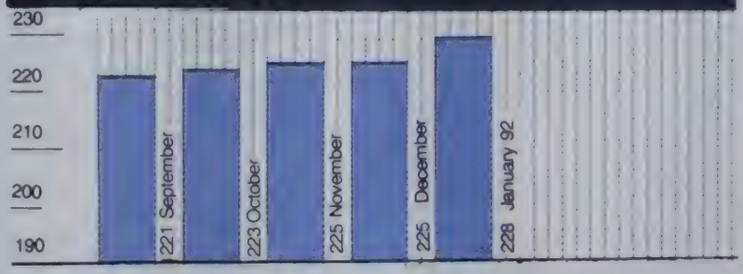
■ The Indo-Russian two-way **rupee trade** of Rs 7,500 crore may not come through following the Russian exporters' failure to stick to export commitments, says *The Economic Times*.

■ The Public Investments Board (**PIB**) has okayed the Canadian $247.5 million bilateral aid option for the Rs 1,394-crore 300 mw Chamera stage II hydroelectric power project in Himachal Pradesh, says *Financial Express*. The proposal had been awaiting approval for over five years. The power ministry is reportedly considering handing over the contract to the SNC/ACRES combine of Canada. PIB preferred the Canadian offer over a domestic option, proposed by the power ministry, at a cost of Rs 883 crore.

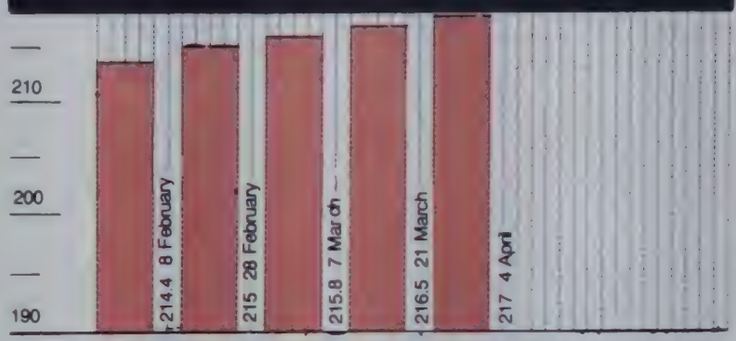
Foreign Exchange Rates (Spot) 1992

	20 April (Rs)
One P. Sterling	45.04
One US Dollar (RBI's buying rate)	26.89
One US Dollar (operating middle rate)	—
One D. Mark	15.43
One hundred J. Yen	19.20
One Saudi Riyal	8.31
One Kuwaiti Dinar	105.23

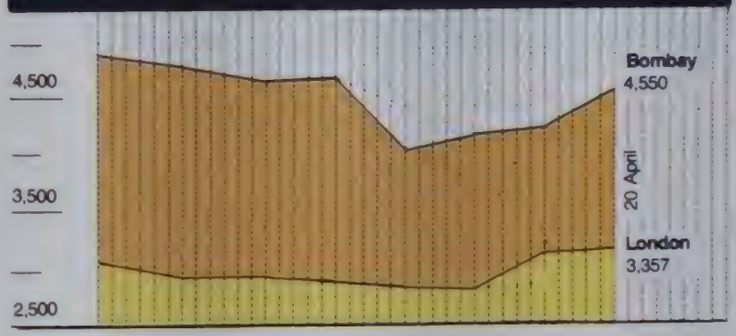
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



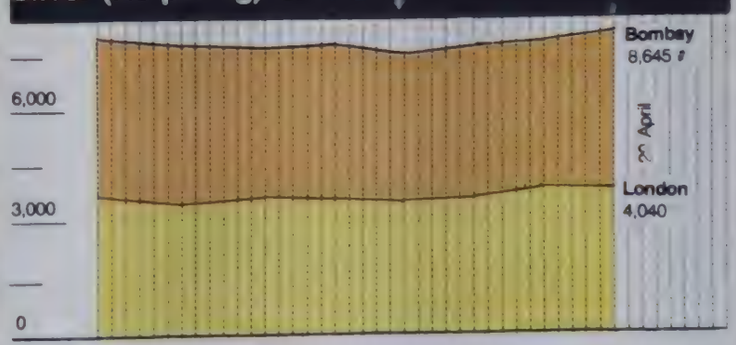
Wholesale Price Index (1981-82 = 100) 1992



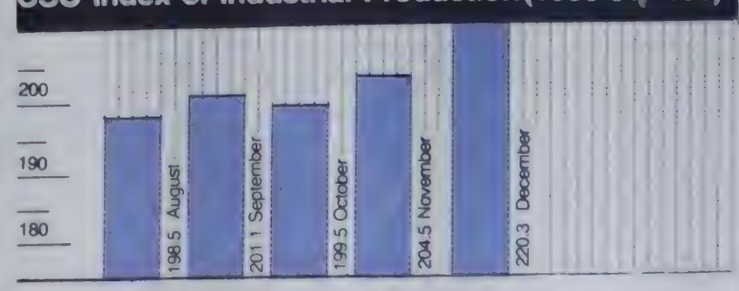
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81 = 100)



"EXPORTERS MUST BUCK UP"



The ghost of empty forex coffers has not yet been fully exorcised from the Indian economic scene. The current comfortable forex reserves situation is more a reflection of increased international borrowings and non-resident remittances than a fundamentally sound balance of payments (BoP) balance-sheet. That, by consensus, requires dynamism on the export front.

Export pessimism and its partner, import substitution, have been the ruling shibboleths in Indian economic policymaking since the fifties. But with disastrous consequences. Today, India's share in total world exports is an embarrassing 0.4%. That is just one of the many unfortunate costs of autarchy and economic xenophobia. Now these have been duly consigned to the waste bin. Globalisation is the key concept today. It is significant that the first two major steps of the Narasimha Rao government were both on the trade front — the July trade policy and devaluation of the rupee. That indicates how important export promotion is under the new dispensation.

But is this an easy task in a world of recession and protectionist trade blocs? Export-Import (Exim) Bank of India chairman and managing director Kalyan Banerji is in a vantage position to answer this query. In an interview with BusinessWorld*'s Niranjan Rajadhyaksha, the soft-spoken and erudite banker spoke about various issues impinging on the success of the Indian export effort — the new exim policy, devaluation and the quality imperative. Banerji also spoke at length about Indian joint-ventures abroad and the Exim Bank's plans to promote them. Excerpts:*

■ Over the past few months, there has been a distinct improvement in India's balance of trade. Is this a genuine reversal of the trend of the eighties, when the trade gap ballooned, or is it a temporary result of the import compression of the past year?

The current improvement in the balance of trade can definitely be attributed to effective import compression. But at the same time, India's export effort has not been too disheartening in these difficult circumstances, which are out of India's control. Like the international recession.

■ And the collapse of the rupee trade?

Yes, the severe decline in exports to the rupee payment area (RPA) has cramped total export figures. This development was not exactly unexpected. But it took place too fast. So the adjustment towards the general currency area (GCA) could not be made in time.

■ But the growth rate of exports to the GCA has not been too impressive either, especially in dollar terms.

That is not accurate. Our exports to these countries grew by 5% during the past year. And, let me reiterate, it has been a time of recession. There has been a distinct slowdown in trade both in America and Europe. Everyone concerned has been hit. Yet we have managed to sell more. This means we must have walked into market niches previously occupied by other developing nations. So, Indian exports have done well during 1991-92. But we could not make up for the 50% decline in exports to the RPA.

■ How important is import liberalisation to the export effort?

The process is actually like a scissors effect; imports and exports are like the two blades of a scissor. They are dependent on each other. To expect exports to increase and imports to be reduced at the same time is like asking for the pie in the sky. Can you expect a student to do well at his examinations without access to proper books? Similarly, I don't think exporters can do well without access to proper inputs. That is why import liberalisation is a key factor.

■ The reason this point is being raised is that some critics allege that the new exim policy has, in the name of export promotion, unnecessarily liberalised imports. So, is this an exim policy or an import-export (impex) policy?

This view is based on a total misreading of the exim policy. To call it an impex policy is just being impish! What the policy has done is to give exporters greater freedom to access capital goods and raw materials. But

there are also a whole lot of export-specific incentives. Just to take an example, if export promotion houses meet specific targets, they can import consumer goods to sell in the domestic market.

■ So import controls have hampered the export push. Would you say that inefficient production, which has partly been caused by input problems, has been a major obstacle to export growth?

Production has been the villain of the piece. In fact, when Manmohan Singh wrote his first book on exports during the late fifties, he identified production as the major problem. The latest policy has tried to reduce various impediments in the production of exportables. It is more than just a matter of export figures. The Indian economy cannot be modernised if it doesn't become outward-looking. That requires export dynamism and hence import liberalisation.

■ Will the decision to devalue the rupee reduce the advantages of such import liberalisation by making imports more costly and by importing inflation into the system? Especially if we assume that Indian exports are import-intensive.

That will definitely happen, but only if the underlying assumption is true. Fortunately, it is not so. A recent study carried out by our bank establishes this fact. Indian exports are not as import-intensive as they are made out to be. And the level of import-intensity has been on the decline. Besides, the cost of imports haven't gone up for exporters.

I think what happened is that during the eighties, imports shot up. But most of it went into domestic consumption. Exports, however, were made the scapegoat. Import liberalisation is not necessarily a bad thing. The relaxation in imports is not only essential but may have taken place a bit too late. That is, unless exporters buckup.

■ Do manufacturers now find exporting profitable, especially after the withdrawal of export subsidies?

Exporters now have both tax exemptions under s.80 HHC as well as a realistic exchange rate. So exports continue to be profitable. On the other hand, selling in the domestic market is difficult, especially if your product is import-intensive. As for the removal of subsidies, it is in keeping with international trends. Our experience is that exporters dislike going to administrators to collect their subsidies. It hurts their sense of self-respect.

■ One of the problems with Indian trade policy till now is that while the various price-related factors were given due importance, the quality aspect has almost been ignored. Hasn't this been a serious flaw?

The importance of the quality factor has been underestimated. But the new exim policy has not been guilty of such an oversight. For possibly the first time, an official exim policy document has devoted space to the problems of poor quality of Indian exports.

■ Do you think the various international quality norms could be put to use as non-tariff barriers?

Yes, it is possible. Especially as far as developing countries like India are concerned.

■ You headed the committee set up by the Board of Trade to examine the possibilities of setting up joint ventures abroad. What is the current status of the report?

The committee has submitted its report on joint ventures to the commerce minister. He has accepted the report and it is now being processed.



The Indian economy cannot be modernised if it doesn't become outward-looking

■ What role will Indian joint ventures abroad play to promote exports from this country?

The entire effort should be understood against the backdrop of the new international scenario. The world map is changing, not only cartographically but also in economic terms. The world is being divided into regional groupings. Selling to them will depend on our presence there. Like the Trojan horse. One acceptable way of doing this is by setting up such joint ventures. Once these economic groupings jell, it is going to be difficult to sell to them. There has to be a step up in joint ventures abroad.

■ Have other countries also tried this strategy?

The Japanese and Koreans have used it to great advantage in recent times. It has been a well-tested strategy. Even the Americans had done much the same thing when they were at a similar stage.

■ Your bank has a proposal to set up an investment bank abroad to promote such joint ventures. What is the gameplan?

This investment bank will be set up in either the US or Europe. It will facilitate the acquisition of small- and medium-sized companies in the West. These companies will then give leverage for Indian exporters to get access to established distribution and marketing channels in North America and Europe. This will give them a presence in the European Economic Community and the North American free trade area.

■ Are there any particular product groups which are being targeted for this purpose?

Access to marketing and distribution channels are of use only for manufactured goods and when particular consumer segments are in mind. It will not be of much use in promoting export of bulk commodities.

■ But can't exporters buy such companies directly? Is there a need for this intermediary?

The logic is that the Indian exporter does not have foreign exchange. So the investment bank will buy the company initially. The Indian company will buy the shares at a later date through the export proceeds. The bank, however, will not be predatory. It will also be involved in other normal investment banking functions in its host country.

■ What sort of financial commitment will Exim Bank make?

Besides an initial one-time infusion of capital from Exim Bank, there will be no additional resources from India. All further capital will be raised abroad. The investment bank will be commercially viable.

The brothers are at loggerheads.

CHHABRIA Vs CHHABRIA

Manu and Kishore are blood brothers, but their current kinship couldn't have been more bloody. The bitter and potentially suicidal fratricidal battle between the brothers Chhabria that broke out in mid-April has quickly escalated into an all-out confrontation. In short, it's war.

To put it brutally — and at the risk of using uncharacteristically intemperate language in these columns — each brother is implying that the other is a liar, crook, cheat and double-crosser. Each feels betrayed, let down and worse; each is seething with righteous indignation. And as at work so in war, their styles are gross and coarse.

NOTHING NEW

After all, business splits are hardly anything new. Brothers have agreed to part company in numerous families. The Birlas have done it with dignity, so have the Singhanias, the Garwares and many others. True, people such as the Bangurs and the Modis have spilt a bit of gore, but they are exceptions rather than the rule. By and large, family partitions have been a quintessentially private affair.

In sharp contrast, the Chhabrias are washing all their dirty linen in public. The preceding fortnight witnessed the rare spectacle of a managing director being stripped of all his delegated powers and being charged with alleged "actions" which "appear to be prejudicial to the interests of the company." (Kishore Chhabria's status in Shaw Wallace is a legal curiosity: he remains managing director but has no executive authority. He continues to get his salary, and will enjoy all the usual perquisites of this job till his term ends on 23 June. In theory, he is free to attend office — but since he has no powers, he can't sign any papers.)

It's curtains up and arclights on for the prize fight of the season

On his part, Kishore refuses to see himself relegated to the status of a servant. Rather, he fancies himself a legitimate co-owner of the Chhabria empire. The evidence to this effect, though, is circumstantial: personal guarantees given to HongkongBank, the 'sacrifice' of giving up non-resident status and so on — which do not behove a mere salaried employee. Or so runs the argument.

According to Manu Chhabria, all this is bullshit. He has formally gone on record to state that all investments are his alone. "There can be no claims on the Chhabria group by any other family member as there is no agreement or understanding between (Manu Chhabria) and any other member of the family for management or control of any Chhabria group company," ran his statement issued from Wallace House, Calcutta. For good measure, he declares that the question of division of the Chhabria group does not arise. Q.E.D.

The genesis of last month's crisis can be traced back to 1990, when a strategic decision was taken to delink certain breweries and distilleries from the mother company. According to a company official (who is not a member of the general management committee which took this decision), there were two underlying reasons. One, Shaw Wallace sought more elbow room within the then existing monopolies and restrictive trade practices (MRTP) rules. Two, rationalisation of wage costs would not be possible unless these units severed direct links with Shaw Wallace, a company with a historical legacy of a high wage cost structure.

In pursuance of this decision, liquor units like BDA Breweries & Distilleries and Vinedale Distilleries (owned by Shaw Wallace subsidiaries Arunava Investments and Mahadev Investments) were disinvested in favour of independent investment companies. However, while the latter had nothing to do with Shaw Wallace, they did have something to do with the Chhabrias.

INDIRECT CONTROL

Piecing together circumstantial evidence, and judging from anonymous inputs from Shaw Wallace officials, Manu Chhabria had "indirect" control of these investment companies, presumably through family members. Significantly, his statement quoted above says that family members have nought to do with the "management or control" — mark the words — of his companies. He does not say that they don't own shares.

According to one version, Kishore Chhabria launched his diabolical plan to usurp these companies when he sensed that his elder brother (and boss!) was not inclined to grant him another term as managing director. Since Manu has an undisputed controlling interest in Shaw Wallace, the parent company, only those assets

CHHABRIA'S TAKEOVER BILL

Name of the company	Acquisition cost
Gordon Woodroffe	$1.5 million
Dunlop India	£15 million (1984) + £38 million (1989)
Shaw Wallace	$27 million
Mather & Platt	£14 million
Dorr Oliver	$9 million

COVER STORY



MANU (SITTING) & KISHORE — *We have lost*



SHAW WALLACE HOUSE: *In the centre of the storm*

not belonging to the parent group were at all available for usurpation. Since the delinked investment companies owned shares in breweries and distilleries collectively contributing Rs 100 crore or thereabouts to the Shaw Wallace group turnover, the attractions of a quiet coup are obvious.

The superstructure built on this version is that apart from a readymade cosy Rs 100-crore liquor group, Kishore would also get the ownership of Officer's Choice, one of Shaw Wallace's five 'million cases-plus' brands. (The other four are Royal Challenge, Director's Special, Hayward's Fine and Old Tavern — all whiskies.) This is because the Officer's Choice brand is actually owned by BDA Breweries & Distilleries. The logic of the situation would be such, runs the argument, that Manu would be forced to grant his brother a term-renewal.

However, the concerned persons seem to have underestimated Manu Chhabria's capacity for bullheaded determination. To which must be added his businessman's instinct for ruthlessness when it comes to self-preservation. Initially, although he had definitely made up his mind not to grant Kishore a second term, he was keen to play down his differences with his brother. Only weeks ago, when your correspondent had asked him point blank on these differences, Manu had a blanket denial ready: "As you know, I have three daughters and no sons. Kishore is like a son to me. We went out for our morning walk together even today."

One must add that Chhabria Sr's proclivity for such discretion most likely arose not from an inherently forgiving disposition but from his strong nose for pragmatism and practicality. Evidence: some while ago, in the course of an informal conversation, your correspondent had questioned his wisdom in promoting a certain individual who happened not to have integrity as one of his strong points. (The person concerned has since left the Chhabria group.) Chhabria had then replied with candour that he didn't mind someone "making his two pice" provided the man otherwise subserved corporate objectives.

HOMESPUN PHILOSOPHY

In keeping with his homespun philosophy, one can safely presume that Manu would have, in normal circumstances, willingly allowed Kishore the liberty of running a fiefdom — but strictly within, and not outside, the Shaw Wallace domain. By an act of intellectual extrapolation, one can even safely presume that Manu would have been pragmatic enough to settle terms in order to get Kishore off his back. After all, he does have this tendency to reduce even imponderables to numbers with currency prefixes attached; as such, the misdemeanours — real or imagined — of an errant brother running a $368 million business with a pretax profit of $19 million (1990-91 balance-sheet figures) could be fairly easily valued in dollar terms and a settlement reached on a discounted cash flow basis!

Manu Chhabria's critics allege that his tribal self-preservation instinct has been aroused precisely on matters relating to — what else? — money. The generally accepted notion (albeit unconfirmed by Chhabria himself) is that his dollar debts on account of his Indian acquisitions (see table) stand at around $75 million, repayable over five years as per a schedule negotiated with HongkongBank. Quite simply, he needs money to service this debt.

Only Shaw Wallace, concludes this line of reasoning, can generate funds on the scale he needs — therefore, his urgency for acquiring direct, personal control.

Chhabria fumes at such logic. He maintains that far from facing a cash crunch, his global business is booming. According to him, his worldwide turnover in dollar equivalent terms is now well over $1 billion, with Dubai-headquartered Jumbo Electronics alone accounting for $500 million. Shaw Wallace accounts for $368 million, and Dunlop India $240 million. He also adds that he is now a majority shareholder in Jumbo, which is one of the very few companies in the United Arab Emirates granted the privilege of a royal decree allowing foreign ownership. For good measure, and not without a touch of drama, he flourishes his American Express platinum card to prove that his personal credit-rating by international banks is indeed very high.

CASH CRUNCH

The topic of Dunlop's cash crunch does not embarrass him at all. From Chhabria's point of view, the present kink is a minor aberration, a hiccup, which the company has the resilience to face. Tangible and intangible assets respectively reside in Dunlop's real estate holdings and brand equity. Besides, Japanese tyre giant Sumitomo is taking an active interest in the technology upgradation aspect of Dunlop's manufacturing activities.

Kishore's strong point, on the other hand, is that while companies run by Manu have not necessarily prospered, his own track record at Shaw Wallace is exemplary. As managing director, he has led his team from the front, masterminded innovative marketing strategies (like creating mutually competing businesses in liquor within the Shaw Wallace fold) in a field he knew nothing about earlier, and has kept alive Shaw Wallace's proud tradition of professionalism in management.

"Okay," grunts a Manu confidant, presumably echoing his mentor's views, "but so what? That's exactly what he was paid for!" And the HongkongBank guarantee? That was executed when Kishore was a London-based non-resident, much before his Shaw Wallace stint. Besides, the fact that he was released without a fuss implies that Kishore's guarantee had little value as collateral in the bank's estimation.

One Calcutta-based businessman who knows both the brothers well and is also a keen industry monitor opines that in the instant case Kishore has overplayed his hand. For one, he reasons, the impact on Shaw Wallace, should it actually lose 30% of its liquor volume (with Kishore breaking away with his clutch of breweries and distilleries), will only be temporary and marginal. Kishore will not be able to run these units at once independently because raw material supplies will have to be arranged *de novo* as well as personnel, since those on secondment from Shaw Wallace will be recalled.

And should Kishore seek custom from the UB Group or RPG's Spencer & Co, will they pay the same friendly prices as Shaw Wallace does? In the absolute sense, Rs 100 crore represents only 4% of India's Rs 2,500 crore per annum IMFL (Indian-made foreign liquor) market. With alternative suppliers bound to be available, it is only a matter of time before a seasoned company like Shaw Wallace, which knows and understands liquor well, can make up. In other words, yet another mere hiccup a la Dunlop.

A NOVEL EXPLANATION

Another individual with whom your correspondent exchanged notes last fortnight proferred a novel — and cogent — explanation as to why Shaw Wallace's performance can only but improve in the post-Kishore era. "The way I look at it is very simple. The money Kishore was making will remain with the company. The money Manu was making will also remain in the company because he will want to show higher profits. The professionals running the company will try their best to show higher profits too to prove that they are better than their former boss. Manu will use every possible accounting jugglery to improve the balance-sheet. So I predict that Shaw Wallace will turn in a fantastic performance in 1992-93," says this person who insisted on anonymity, for obvious reasons.



Kishore would also get the ownership of Officer's Choice, one of Shaw Wallace's five 'million cases-plus' brands

Already, there are signs that the company's senior managers are positioning themselves appropriately. Their starting salvo is that the company is purring along perfectly well without a managing director. "Decision-making has not been affected. In fact, it's faster now," says vice-president R.S. Jauhar. "Our operations are wholly normal. May I add that Shaw Wallace is fortunate in that it has a bank of dependable, senior personnel who have a total commitment to the company. This is a major asset and explains why there is no threat of instability," he concludes.

Importantly, the board has also so far gone along with chairman Manu

Chhabria's recommendations. The stupendously significant resolution to strip Kishore of his powers as managing director was approved with near unanimity. Excluding Kishore, the board has eight members: Manu Chhabria; four wholetime directors, Ashok Malik, T.S. Venkatesan, K. Srinivasan and Jolly Bhargava; and three non-executive directors, M.L. Bhakta, B.S. Mehta and R.K. Pandit. Except for the lastnamed individual, who happens to be a Life Insurance Corp (LIC) nominee, all the others signed the resolution, approval for which was sought by circulation. (The LIC nominee opined that a board meeting ought to be convened.)

CLEAR MAJORITY

According to one report, the financial institutions (which together hold approximately a 27% equity stake) have asked for one more seat on the board. However, with Manu Chhabria still having a clear majority, this extra nomination would have little practical significance even if it came about. Another theory is that Manu Chhabria can conceivably be unseated on the grounds of incompetence, citing Dunlop, Orson and Nihon as example. Prima facie, this seems a rather far-fetched eventuality.

A team of disinterested experts is scanning records to determine whether the suspicion that the managing director has acted in a manner prejudicial to the company's interest is correct

Even as all this private speculation and public mudslinging goes on, a team of disinterested experts is scanning records and examining papers to determine whether the board's suspicion that the managing director has acted in a manner prejudicial to the company's interest is incorrect or not. Contrary to newspaper reports that these auditors have been flown in from Dubai, the fact is that the delicate task of declaring Kishore Chhabria guilty or not guilty has been given to Price Waterhouse, a firm with an impeccable reputation for objectivity and impartiality.

Of course, at the end of what promises to be a long and arduous day, there is still a chance that the two brothers will settle for a compromise. After all, Kishore is still in his thirties and legitimately aspires to a long and successful career in business. And Manu, despite the iron in his soul, is also a son, husband, father and brother whose latent spark of divine fire could well ignite if only he'd stop his ego from subsuming all.

Well, so much for philosophy. Meanwhile, even as further factual revelations are awaited, it's curtains up and arclights on for the prize fight of the season: Chhabria Vs Chhabria.

□ Sujoy Gupta

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STANDARD MOTOR

REVVING UP

Its performance to date has been substandard. But the Madras-based Standard Motor Products of India is getting a second chance to prove its mettle. This A.C. Muthiah company has finally reopened its gates to its workers, thanks to the adoption of a scheme drawn up by the Board for Industrial & Financial Reconstruction (BIFR).



VARADARAJAN: *New drive*

And Muthiah has already turned on the fund faucet. The board of directors of Tamil Nadu Petro Products, another Muthiah group company, has decided to chip in with an equity contribution of Rs 6.03 crore, of which Rs 4.50 crore has already been released.

If the savvy Muthiah is putting money into what looks every inch a stretcher-case, there is probably still some life left in the company. Says managing director K.V.A. Varadarajan: "Yes, the promoter is confident of recovering his investment in 10 years."

What is this confidence based on? First, Standard Motor will turn away from the loss-making and dollar-guzzling Standard 2000 luxury car and concentrate solely on the Standard-20, the two-tonne light commercial vehicle (LCV) with a diesel engine. Says Varadarajan: "This vehicle is ideal for intra-city movement and we are sure it will take off."

Secondly, the Standard-20 will have no import content at all (in fact, the Standard 2000 had an import content of over 35% which was largely responsible for the company's ills).

What makes for additional optimism is that the union has agreed to the condition that the workforce will be employed only two days a week on an average and annual benefits will be linked to just these two days. This means a much reduced outflow on the wage bill.

A decade. But turning the corner will not be an overnight job given the accumulated losses of Rs 58.57 crore. A back-of-the-envelope calculation shows that Standard Motor will reach cash breakeven at a production and sale level of 200 units a month. Says C.V. Karthik Narayanan, former promoter and managing director of the company and now the CEO of the Madras-based Ucal Products: "My estimate is that Standard Motor will take about 10 years to cash breakeven."

This is what the BIFR too has projected. To begin with, Standard Motor will roll out about 2,200 vehicles this year and raise this level to its full capacity of 6,000 vehicles during 1994-95, the third year. Says Varadarajan: "Our estimate is that Standard Motor will make a net profit during that year." The projection is that during that year, Standard Motor will earn a cash profit of Rs 17 crore and a net profit of Rs 13 crore.

What about dividends? Says vice-president (finance) N. Subramanian: "We have to repay car deposits adding up to Rs 12 crore and there can be no dividends until 1995-96 at least."

It will, of course, take a lot of money to get the company back on the roads. The BIFR scheme has estimated an investment of Rs 30 crore. Minus Muthiah's contribution and a loan of Rs 3 crore from the Tamil Nadu state government, the balance is going to come from the banks and the financial institutions (see table).

Another relief is that the Indian Overseas Bank (IOB) has agreed to the BIFR's recommendation that working capital advances by it be converted into below-the-line zero bonds with no maturity period. And the

STANDARD MOTOR PRODUCTS OF INDIA

(Rs crore)

	Year ended 31 Mar 91	Year ended 31 Mar 90
Gross revenue	0.03	0.11
Gross profit/(loss)	(9.53)	(8.16)
Net profit/(loss)	(11.06)	(9.73)
Equity share capital	4.87	4.87
Reserves & surplus	6.23	7.16
Accumulated losses (net of general reserve)	58.57	48.28

rehabilitation package has been formulated with the condition that Standard Motor will just concentrate on the Standard-20 and not the Standard 2000. Says Varadarajan: "The Standard 2000 was a strategic error and had Standard Motor not forayed into making that car we should have been sitting pretty in the two-tonne LCV segment. Nevertheless, we will make the Standard-20 a success."

That is easier said than done. The closure saw Standard Motor lose its marketshare to the likes of Telco, Bajaj Tempo and Mahindra & Mahindra. That means the company has to now contend with muscular competitors and a higher noise level in the marketplace. Says Varadarajan: "Yes. But, pricing will be one important factor. We have planned to price the Standard-20 between Telco's and Bajaj Tempo's vehicles and it will be essentially a micro-lorry."

Another factor Standard Motor is banking on is the fact that most other LCV makers are into the six-tonne-plus segment and few have a deep foothold in the two-tonne micro-lorry slot. Says Varadarajan: "In fact, we do not see any major competition emerging now and Standard Motor is confident of carving out a 15% marketshare over the next three years." Adds vice-president (manufacturing) C.K. Menon: "We are confident of recovering at least 70% of the lost market in the south soon."

Southern presence. One plus the company has is its long presence in the southern markets. This also means that maintenance expertise will be available to the users ready at hand. Adds Varadarajan: "Our emphasis will be on reliability and top-class after sales service." As a part of that commitment, Standard Motor will roll out spares for the existing Standard-20s, even before the first revamped vehicle hits the roads.



THE PERUNGALATHUR FACTORY: *Humming again*

Competition can, anyway, come only from established players. The high cost of entry is another major factor that must have convinced Muthiah to chip in with his promoter's contribution. Look at the replacement cost of Standard Motor's plant and machinery: on a modest estimate, it is Rs 70 crore-plus, against its original cost of just about Rs 35 crore. Says Varadarajan: "We have a fairly decent integrated plant and soon we'll make engines, gearboxes, front and rear axles and even the LCV body."

When is that going to be? Says Varadarajan: "Not before the end of the third year. This is not the time for grand plans. Let us first make this LCV relaunch a success."

Some other steps have been taken to get the company back on its feet. Standard Motor has closed down the downtown Madras office which has been shifted adjacent to the works at Perungalathur on the city outskirts. Meanwhile, Narayanan has agreed to transfer his and his family stake to the Muthiahs (Narayanan and his family once held about 56% in the company. This went down to 29%, after Muthiah infused fresh equity when the paid-up capital was raised from Rs 2.31 crore to Rs 4.31 crore in 1988). The authorised capital of the company is being enlarged from Rs 5 crore to Rs 15 crore, with an eye on future fund-raising potential. And tomorrow another Muthiah stablemate — First Leasing Co of India — could be roped in to support with consumer finance schemes.

Whether Standard Motor will regain its past glory or not is still a moot question. Says Ashok Leyland executive director (finance) R. Seshasayee: "It is a brave, bold experiment." But, the unanimous opinion within the industry is that Muthiah has managed to rope in the right man in Varadarajan, who has put in stints earlier at Ashok Leyland and Apollo Tyres. Says Narayanan (quoted earlier): "Varadarajan is the right choice. Nevertheless, he has an uphill task on hand." There is little doubt about that.

□ A.H. Ghani

FRESH INVESTMENTS: SOURCES AND APPLICATIONS

Needed Rs 30.26 crore

Sources

	(Rs crore)	
Promoter (A.C. Muthiah)		6.03
Tamil Nadu government loan		3.00
Term loans:		
— from bank	5.54	
— from institutions	15.69	21.23
		30.26

Applications

	(Rs crore)
Rehabilitation expenditure (renewal and modernisation)	10.35
Wage arrears	5.00
Voluntary separation	5.50
Trade liabilities (suppliers of materials)	5.21
Start-up cost	1.00
Margin money for working capital	3.20
	30.26

NEW BLEND

It's changing its mix. The Sumeet group has so far been a clutch of small-scale companies, which together tot up a substantial turnover of over Rs 100 crore. But, with size no longer a constraint, a consolidation exercise is under way. When it is over, the group will emerge a revamped organisation under the umbrella of Sumeet Machines.

"We are going out of the small sector," says chairman Ajay Mathur. Adds general manager Promila Thukral: "We want to become self-reliant and that is why we are restructuring."

The Sumeet group currently has in its fold a number of small units which either cater to regional demand or are ancillary outfits which manufacture parts for captive requirements. Mathur is now busy merging, acquiring or separating these units from the mainline Sumeet group. Says he: "Our set-up has been very disorganised. Also, there are limitations for growth as far as the small sector is concerned."

A start has been made with the acquisition of one unit which is now the power control & appliances division in Nasik. And this is where much of the action and expansion will be. Says Thukral: "We aren't interested in acquiring most of the other units and will make them independent of Sumeet."

There are other reasons for bringing things under one roof. Saving on damages incurred during transport, for instance. Adds Mathur: "Formerly, the motors for our washing machines used to come from Madras. But the freight charges were very high. Now we have started manufacturing our own motors at Nasik. So having one strong establishment has many advantages."

Mathur expects the reorganisation to be complete two years down the line. And there could be a further stepping on the gas. "The company could go public then," says Mathur.

Fresh forays. While the restructuring goes on, Sumeet is still making fresh forays in the marketplace. The company is launching its AquaVac PT20, a wet and dry vacuum cleaner, in the next six to eight weeks. Says Mathur: "We will be the pioneers for these vacuum cleaners as those available in the market are meant only for dry surfaces." Priced at approximately Rs 4,500, Mathur expects to sell some 10,000 pieces in the first year. Says he: "Though our product is ideal for Indian households, we are yet to work out a good marketing strategy. Our traditional practice has been to give product demonstrations and we will continue with that. It is after the first year that I expect product awareness and the market to really pick up."

Vacuum cleaners could sweep the marketplace in the future. And Sumeet has done it earlier. In 1986, it introduced the SP-16 electronic food processor. Says Mathur: "It is the only one of its kind in the Indian market and it is Sumeet's forte today."



MATHUR: *Restructuring time*

Sumeet's other frontline products are the 842 INT food processor, Master-900 (a food mixer launched just about two months back) and two highly-sophisticated washing machines based on the tumble-wash principle — the Sumeet K 30, a fully-automatic washing machine, and the Sumeet Sport, a hot & cold tumble-washer.

In mixers, Sumeet's original line, Mathur claims to have a marketshare of around 55%. And he contends that his wares are way ahead of the pack. "As far as our products go, I won't say we face any competition," he says. Seconds Thukral: "Our products are much superior compared to the others available in the market."

In tumble-wash washing machines, where Sumeet has spent significant sums on R&D, the only competition is from IFB-Bosch and Batliboi. Mathur claims to have a marketshare of around 65% in this category and also the best washing machine. "Sumeet Sport has a 950 watt motor which can take heavy loads," he says. "The IFB-Bosch machine has a motor of only around 300-400 watts." Washing machines today account for 40% of Sumeet's turnover, the SP-16 contributes 20%, 842 INT 20% and the domestic mixers 20%. Exports chip in around 5%.

For a company that has an array of products, marketing is surprisingly uni-pronged. Mathur has an explanation for that. Says he: "Though we do advertise through the mass media, we rely more on demonstrations. We don't want to just dazzle the consumer through big ads. We want him to know what we are offering and buy only if he needs it."

That's been the strategy since the beginning in the mid-sixties when the first Sumeet machines wended their way into Indian kitchens (see Sumeet: the right mix *BW* 7-20 December 1988). And, as it has been a successful recipe, it is likely to stay that way.

On the organisational front, however, big changes are in store. Mathur assumed charge in 1979. Says he: "When I took over the group, turnover was hardly around Rs 4-5 crore. And there was just one product — the domestic mixer — being manufactured. I knew there was a lot of potential here and a lot could be done."

In 1984, Sumeet Machines was incorporated and, since then, says Mathur: "I have been working out this restructuring." It may take a decade for the last bits of the strategy to fall in place, but the gameplan is clear: thinking small is over; Sumeet is gearing up to enter the big league.

□ Chhaya Balachandran

A STERLING PERFORMANCE

He has found the pot of gold at the end of the rainbow. But Anil Agarwal and Sterlite Industries, which started life as Rainbow Investments in 1975, are not resting on their laurels. Major expansion plans are under way and an exciting Rs 600 crore foray is being made in copper smelting and refining. Also in the pipeline is an optical fibres project.

Rainbow, as befitting its name, went in for a wide spectrum of activities almost from inception. In 1976, it ventured into the manufacture of cables, conductors and copper wires. In 1986, it was christened Sterlite Industries (India) and finally went public in 1988.



AGARWAL: *Keeping costs down*

It's been good going since then. Says chairman & managing director Agarwal: "Our success is primarily due to our ability to keep costs — project costs, production costs — low."

In 1988, Sterlite commissioned its 6.25 lakh conductor kilometre (ckm) polyethylene insulated jelly-filled (PIJF) telecom cables plant at Aurangabad in Maharashtra. And the Rs 8.26 crore project was responsible for the stupendous performance for the year ended June 1990 (the first full year of operations). Turnover and gross profit doubled to Rs 71 crore and Rs 10.92 crore respectively. Says vice-president (finance) & company secretary Tarun Jain: "We managed to lay our hands on a second-hand plant from our collaborator, the Essex group of the US. This resulted in a substantial cost saving. Interest costs were negligible and depreciation low. A new plant today would cost around Rs 30-35 crore."

In the doldrums. Besides, the company's 15,000 tonnes per annum (tpa) overhead power transmission plant (commissioned in 1984) also added its bit. However, this division, as of today, is in the doldrums and has been temporarily shut down. "Our major buyers of this product are the state electricity boards (SEBs) which are presently low on funds. But as soon as we foresee demand we will commence production," says Jain. Adds Agarwal: "Since it's run on a contract basis, there's no question of labour costs and other overheads. We are even thinking of phasing it out over time."

In 1989, Sterlite approached the public the second time for its Rs 13 crore continuous cast copper rod project — a backward integration — at Lonavala (Maharashtra). The 12,000 tpa plant, the first to use copper scrap as raw material, was commissioned on schedule the next year. And the third issue was in 1991 for the manufacture of 15,000 tpa of aluminium sheets and foils in technical collaboration with J.W. Aluminum of the US. Says Jain: "There is a growing demand for and substantial value-addition in aluminium rolled products. The market is about 1 lakh tpa and growing rapidly." Aluminium alloy sheets are used in ship-building, pressure cookers and fan blades while the foils are used mainly in the packaging industry. The project, however, ran into rough weather ("there were some forex hassles," says Jain) and is now scheduled for commissioning in August this year — some six months behind schedule. Here, too, the company took the second-hand route and managed to restrict the project cost to Rs 61 crore. "A new project would involve an investment of some Rs 170 crore," says Jain.

But the most ambitious programme, by any yardstick, is the Rs 600 crore, 60,000 tpa copper smelting and refining plant at Ratnagiri (Maharashtra) in collaboration with MIM Holdings of Australia. Says Jain: "We will be making copper cathodes using copper concentrate as raw material. Copper is in short supply and there is a huge import content." (Demand for copper is currently estimated at 1.5 lakh tpa, of which 90,000 tonnes is met via imports.) Agarwal hasn't decided yet on whether he will tap the public for funds for this project. "Internal accruals and the institutions could provide us with the necessary funds. However, we could even approach the public," he says.

A handful. Around the world, there are just a handful of copper smelters and the easing of the global demand-supply crisis is largely linked to the coming up of new smelters. Besides, cathode-making was until recently the sole preserve of the public sector Hindustan Copper. "We are the first private sector player to get into the manufacture of copper cathodes," says Jain. He sees the project taking shape by the third quarter of 1994. "At 60,000 tpa capacity, the smelter will yield a turnover of Rs 900 crore."

But that's some time down the line. At the moment, Sterlite is busy expanding its PIJF cables and copper rod lines. Cable capacity is being raised to 15 lakh ckm (from 6.25 lakh ckm) while that of the copper rod plant will treble to 36,000 tpa. Both these expansions will be completed by September this year. The tab: Rs 20 crore for PIJF cables and Rs 17 crore for copper rods. Both these expansions are being financed via term loans and internal accruals.

The copper rod expansion also involves setting up a shaft furnace with technology from Asarco of the US. Says Jain: "This furnace will help us make copper rods (the finished product) using the cathodes (semi-raw material) manufactured by the smelter. For the year ending June 1992, the

PIJF cable division should yield a turnover of Rs 90-100 crore while copper rods should fetch Rs 65-70 crore. After the expansions, these figures should touch Rs 135-140 crore and Rs 200 crore respectively (that's in June 1993)."

While exports may be the mantra being chanted by almost all of Indian industry, the telecom cables and copper makers don't really need to stretch their gaze overseas. "The department of electronics' (DoT's) major plans of installing phone lines ensures that the demand for jelly-filled cables is tremendous," says Jain. Adds Agarwal: "At any point of time, we have orders worth Rs 60-70 crore in hand. DoT makes for 95-96% of our business. And they have no problems of funds." Jain estimates the 1992-93 demand from DoT will be somewhere around 110 lakh ckm and could touch 205 lakh ckm by 1996-97. This is against the industry's installed capacity of around 91 lakh ckm.

"Besides," says Jain, "Finolex Cables and Sterlite are the only two private sector players (the rest are joint sector outfits). And now that the joint sector players have to participate in open tenders, we stand to gain." He claims to have already grabbed a Rs 100 crore order from DoT when it issued a tender in January.

Overseas sales. All the same, Sterlite has made some ground overseas. Recently, it bagged a "small" £2 million order from the UK department of transport. "And there is a growing market in Africa and the Gulf," says Jain. Adds Agarwal: "We have fixed a target that 20% of our sales must come from exports." But the message is clear: first the home market, then the world.

As for the future, Sterlite definitely has its hands quite full. The company is also eyeing optical fibres — a future replacement for jelly-filled cables. The details of the project, whose cost is estimated around Rs 75-100 crore, are being worked out. Agarwal has managed to rope in a collaborator, but isn't willing to disclose the name now.

Although sales for the year ended June 1991 at Rs 80.7 crore didn't really rocket (the copper rods plant experienced initial "teething problems"), the six months to December 1991 were in line with the grow-grow reputation the company has cut out for itself. Turnover at Rs 72.51 showed an 80% growth over the last year's corresponding period while gross and net profits registered a 105% and 94% growth to Rs 12.74 crore and Rs 10.28 crore respectively.

"The year ended June 1992 should see turnover at Rs 160 crore and gross profit around Rs 28-30 crore. The figures for the next year should be around Rs 400 crore and Rs 50-55 crore respectively," says Jain. And, considering the fact that the smelter project will come on stream in 1994-95, turnover for that year is expected to be a whopping Rs 1,500 crore. Jain and Agarwal are confident they'll get there.

So it seems are the 80,000-odd shareholders who have been sitting pretty on cushy dividends. In 1989-90, dividend doled out was 40%, the following year 45% and "this year it should be over 50%," says Jain.

The year to June 1992 should see Sterlite step into the Rs 100 crore league. And the Rs 1,000 crore club seems just a cable's length away.

□ Brian Carvalho

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TICKING AGAIN

It took one year to get back to square one. On 13 April, the Buckingham & Carnatic (B&C) Mills of the Madras-headquartered Binny resumed operations after a prolonged closure. The bone of contention was the proposed shifting of the processing house to Bhuvanagiri, some 115 km from Madras. The unions said nyet and dug in.



ETHURAJAN: *Optimistic*

Today they are agreeable. For all the brouhaha, the workers get no wages for the period of closure but for a month's ex-gratia payment. Says Indian National Trade Union Congress president G. Ramanujam: "The union has not gained anything out of the struggle." Retorts Centre of Indian Trade Unions (Citu) representative W.R. Varada Rajan, a signatory to the peace agreement: "This is not a compromise. Economic prudence influenced our decision to sign the agreement. Anyway, we are happy with the settlement except for the provision that the processing house be shifted."

But that is, according to company officials, the only solution to Binny's problems. The management contends that water and coal are in short supply at the present site. Says Binny director S. Natarajan: "We had asked Coal India and the Indian Railways for coal supply but, thanks to the shortage of wagons, it did not materialise. Though the Madras high court decreed in 1972 that the Tamil Nadu government supply water, there is no sign of it as yet."

What about Bhuvanagiri? "No such hassles over there," says Binny executive chairman M. Ethurajan. The company is confident that there is enough ground water at the new site and it has secured an undertaking from the Gas Authority of India Ltd (Gail) that the processing house will get a supply of 18,000 cubic metres of natural gas a day.

Viable proposition. Even the financial institutions, who together hold a 40% stake in Binny, have maintained that the move to Bhuvanagiri alone would make the company viable and profitable. In fact, they had gone to the extent of denying financial assistance to Binny if the shifting was not done. Says finance director K. Srinivasa Rao, a State Bank of India (SBI) nominee on Binny's board: "How can banks lend when a company cannot repay?"

What does the future hold for Binny, now that B&C Mills is reopening? Take a look at the highlights of the proposal sent by the company, appraised by the Industrial Development Bank of India (IDBI) and accepted by the state government:

- The processing house will be shifted to Bhuvanagiri and it will now turn out 2 lakh metres of cloth per day. Rs 30 crore will be spent on modernisation. The projected machine-man ratio is 1 to 1,000 and workers have agreed on redeployment.
- The rust-belt Northrop looms will be scrapped, but only after the phased installation of the modern looms is complete.
- The mills in Madras and Bangalore will be modernised at a cost of Rs 40 crore.
- Binny will invest upwards of Rs 30 crore for a proposed export unit, a denim project in Bangalore, for which a memorandum of understanding has been signed with Mont Bello of Italy.

Says Ethurajan: "The collaborators have expressed their intention to chip in with equity of about $1 million and buy back the entire denim output."

So Binny is finally coming to life again. The company is trying to put the past behind (the closure has meant a production loss of about Rs 120 crore) and work out a suitable strategy for the morrow. Says SBI's Rao: "Binny will now focus on the existing areas and consolidate its strengths, besides concentrating on the denim project."

A major albatross. Will that underwrite Binny's profitability? Not totally. For Binny has a major albatross around its neck: borrowed funds as on 30 June 1991 added up to Rs 140.45 crore and interest cost for the year was Rs 8.57 crore. Says Rao: "Interest cost is very high today and Binny's real breakeven will only be after it can service its debts fully."

Apart from this there is the problem of accumulated losses which stood at Rs 44.08 crore on 30 June 1991. Against this, reserves are only about Rs 24.55 crore and a good Rs 23.88 crore of that are paper reserves arising out of conversion of land and buildings into stock-in-trade.

Binny sees a way out of this mess. The company is hoping to get permission to hawk off its surplus land. Says Rao: "We can sell this surplus land and use the proceeds to finance all capital costs related to modernisation and settle overdue liabilities." The book value of the 60-acre freehold land is Rs 13.29 crore, but real estate pros point out that Binny can easily expect to realise a minimum of Rs 65 crore, if the land is suitably developed.

The mess B&C Mills has got into has not affected production at Binny's other mills. Already installed in the Bangalore mills are the IDBI-financed 12 open-end machines and the unit is tripling output. Says Ethurajan: "Within a year, Binny should be able to post a turnover of Rs 200 crore-plus and reasonable profits."

For a company that has had a long history of closures and red bottomlines, that is high-octane optimism. Will it translate into reality?

□ A.H. Ghani

BINNY'S CURRENT CAPITAL COSTS

	(Rs crore)
Modernisation costs:	
— Buckingham & Carnatic Mills	13.37
— Bhuvanagiri processing house	30.84
— Bangalore mills	26.67
— Silk unit	1.46
Denim project	31.53
	103.87

Note: In addition to Rs 103.87 crore, Binny has budgeted for Rs 9.45 crore towards margin money for working capital and for Rs 10 crore towards expenses for reopening the B&C mills. Thus, the aggregate expenditure is Rs 123.32 crore.

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Productive human resources. *Kerala is a 100% literate State. It offers a highly skilled and productive workforce, with an innate genius to absorb the most sophisticated technology, in the shortest possible time. Hence, they possess the capability for achieving high levels of productivity. The State also has the highest density of science and technology personnel.*

Durable industrial peace. *Harmony at the societal level has percolated down to the industrial arena too. Mandays loss have come crashing down by 70% in 1991, as compared to 1986. Kerala's industrial sector is one of the most peaceful and productive in India.*

Home to successful businesses. *It's no wonder that the Tatas, Birlas, Thapars, RPGs, AMPs... have successfully capitalised on Kerala. A number of Kerala-based companies are also phenomenal global successes, especially in the coir, cashew, marine products and spices sectors. In fact, professionally managed businesses have always done well in Kerala.*

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WEIZMANN INDUSTRIES

SHIFTING FOCUS

It's been name-dropping with remarkable frequency; over the past six years, Endee Financial Consultancy Services has metamorphosed to Weizmann Financial Services and finally to Weizmann Industries.

But the current title is in keeping with the changes in the company. Weizmann, which has largely been in the areas of finance and exports, is now taking the plunge into manufacturing. Says investment director Chetan Mehra: "All this time, we were dependent on other manufacturers for exports. We want to end this."

The company is planning to set up a textile unit for the manufacture of terry towels and processed textiles to cater mainly to the west Asian and African markets. The plant will be either in Gujarat or Maharashtra. "The preliminary work is over," says Mehra.

Another foray will be into the manufacture of copper clad laminates, in collaboration with a US-based company, with a complete buyback arrangement. The plant, to be located in Maharashtra, will manufacture various grades of laminates, including copper, silver and gold. Says Mehra: "It will be a sensational project."

Weizmann is a product of the mid-eighties boom in leasing and financial companies, and one can say to its credit that it survived the hard times that soon followed. In its first year of operation, after its incorporation in 1986, the company made a net profit of Rs 6 lakh — good going, considering that others of its ilk were closing shop.

"It was a tough time to start business as the aura of leasing companies had faded, while competition from the subsidiaries of nationalised banks was increasing," says chairman N.N. Pai. Adds Mehra: "We were able to survive because of our diversified range of financial services, coupled with an innovative and aggressive advertising campaign. Our strong points were the placement of non-convertible debentures and the mobilisation of funds from the Indian public and non-resident Indians (NRIs)."



PAI: *Starting in tough times*

Creating goodwill. One of the many schemes that brought the company into the limelight was Tips (total investment package scheme) for resident Indians and a single-window scheme for NRIs. The latter helped Weizmann forge close links with Indians abroad and create goodwill for the company. Says merchant banking head K.R. Kavi: "This success resulted in many requests from a host of Indian companies to represent them abroad for marketing their public issues and also for fund mobilisation. We have so far represented Reliance Industries and DCL Polyester, amongst others, and have also done rural marketing for the Indo-Gulf Fertiliser issue."

Bill discounting is another area where Weizmann has created a niche for itself. Says president Aarti Mehta: "Being small and having a very flexible approach helped us in this activity. We have discounted bills for over Rs 100 crore so far."

The flexible approach also saw a sortie into exports. Success was instant. Says export division chief Pramod Sheth: "The goodwill already existed for us and hence it was easy to make the initial breakthrough. For example, in the first year itself, our export turnover was Rs 1 crore. Initially, we were exporting only processed textiles. At present, we are exporting items like cloves, garments, leather items and artificial jewellery. Last year our exports totalled Rs 2.5 crore, while this year it is expected to cross Rs 3 crore." Today, exports contribute nearly 75% to the company's turnover.

In spite of all this, Weizmann has not really been growing at a scorching pace; total income has increased from Rs 4.02 crore in 1988 to only Rs 5.64 crore in 1991. However, Mehra is unfazed when pointed out that Weizmann has been lagging behind its competitors. Says he: "We don't go to town telling all and sundry about our achievements. We like to be low profile and believe that our performance should speak for itself. A proof, if required, is the movement of our share price. Be it a bull or bear phase, it remains unaffected. It sets its own course and we are happy with it." Sounds a trifle unambitious, but that's the hallmark of a wise man.

□ Jiten Mehta

MEHRA: *Reducing dependence on other manufacturers*





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- **An existing dividend paying Company.**
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- **Promoters with experience of over two decades in textiles.**
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- Competition from unorganised sector in the domestic market. There is no definite data available on the production capacities in the unorganised sector.
- The Company has completed all formalities to obtain sanction from APSEB for additional power and the same is yet to be received.
- The capacity utilisation and business prospects of The Company depend on job orders from cloth manufacturers.
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AIMING HIGH

It takes things places; the decade-old Skypak is a big name in the courier business. Now, however, the group itself is going places; the low-profile companies in its fold are all set for takeoff.

The Rs 50 crore Skypak group includes Bliss Chemicals & Pharmaceuticals, Skypak Fisheries, Skypak Financial Services, Sky Freight and Skypak Travels. In the pipeline is Skypak Resorts. Says chairman Dilip Kulkarni: "If you notice, most of my companies are service companies; well, that's it, I am always interested in expanding Skypak's service-oriented businesses."

The latest foray — Skypak Resorts — will be built on Kulkarni's family-owned 1,000-acre holding on a beachfront at Arambol, north Goa. The Rs 50-60 crore, 300-400 room resort will have all the works and a golf course to boot. "We want it to be a unique resort," says Kulkarni.

To get that additional edge, he is currently shopping around for a suitable international tieup. Some Japanese outfits have shown interest and Kulkarni expects a deal to be struck by the end of the year. The five-star resort should be ready two years after that.

New track. Skypak first flew off the courier track when it took over the ailing Bliss in 1988. It was the pharma concern's contraceptive — Today — which attracted Kulkarni. Says he: "It was a new product which provided a new challenge. The company's capital had been wiped out. But I was confident that it could be turned around. We managed to do it by January 1991."

The Today brand equity apart, Bliss had nothing particularly blissful to offer Kulkarni. In 1988, the company chalked up an operating loss of Rs 65 lakh to add to carry-forward losses of more than Rs 1 crore. Today, the picture is rather different. For 1991-92, the operating profit is Rs 36 lakh and even better times are ahead.



KULKARNI: *Sky-high ambitions*

Kulkarni explains how he managed the metamorphosis: "The product was not stable. We first stabilised it by ensuring quality and a sound marketing policy. We also advocated financial discipline in the company."

Today was given a new look. Before Skypak took over, Today, though a female contraceptive, was targeted at males, the message reading "say goodbye to condoms." Kulkarni and Skypak ad agency Advertising Avenues director Goutam Rakshit worked out a new strategy. Says Rakshit: "We spoke to a large number of women on their perceptions of contraception and found that there was a lot of apprehension, guilt, insecurity and fear. Now here was a product (other than oral contraception) that could be used discreetly and which had none of the messiness of other methods. Our campaigns were then made in such a way that it was a woman speaking about the benefits of the product to her ilk, and it worked. Sales of Today are constantly rising."

While this family-planning aid is making waves, Bliss is also planning to add to its family of products. Several new launches are in the pipeline:

- Another version of Today, this time targeted at the rural market, will be flagged off by August this year. Says Kulkarni: "We are currently working out a marketing strategy."
- A couple of months later will see the arrival of sanitary napkins branded Sanikins. Extra-large Sanikins meant for maternity use are already available in a few cities and are marketed through maternity homes.
- By the end of this year, Bliss will be ready to go national with its herbal shampoo, which was test-marketed in September last year under the Today brandname in Madras, Bangalore and Bombay.

"Bliss will soon become a multi-product company," says Kulkarni. "Some more pharmaceuticals in the gynaecological areas will be ready for launch by the end of this year." Bliss' turnover for 1991-92 is Rs 1.4 crore. Kulkarni expects to step this up to Rs 3 crore in 1992-93. "Five years down the line it will be a Rs 20 crore-plus company," says he.

Pharmaceuticals and associated products apart, Kulkarni has been fishing in other ponds too. Skypak Fisheries, an export-oriented unit, was set up in mid-1991 for the exports of tiger prawns. The company will be fully operational by early 1993. Says Kulkarni: "I could get the type of land required, since my wife's family is based in Goa. Shrimp export has good growth potential. Besides, any foreign-exchange earning business is good to venture in." The exports will

be mainly to Japan and Europe.

While the fishery is still under construction, Skypak is also setting up its own hatchery. A term loan from the Shipping Credit & Investment Co of India (SCICI) to construct and set up the entire project should come through by next month. Kulkarni's projected turnover for Skypak Fisheries is Rs 1.25 crore in 1992-93. The figure is expected to rise to Rs 2.26 crore and Rs 3 crore in the next two years.

Two reasons. The other area of immediate attention is Skypak Financial Services. This was set up, says Kulkarni, for two reasons: providing services to the financial industry — specialised document delivery and information-gathering for banks and financial institutions — and getting into hire purchase, leasing and allied activities. "There are a lot of new areas in the financial field that require servicing. We are providing the kind of services no one has provided before," says Kulkarni.

Skypak Financial will also see the group's first dalliance with the capital markets: the company is to go public by the end of this year. Kulkarni expects very quick growth. Says he: "The expected turnover in 1992-93 is Rs 3 crore, which should quickly reach Rs 25 crore."

Skypak is also in the air and sea freight forwarding business. Its flagbearer in this line is Sky Freight, which was set up about a year-and-a-half back. Says Kulkarni: "It has been very active in the past one year." The Bombay-based Sky Freight already has branches in Delhi, Madras, Bangalore and Cochin, and Kulkarni has plans to expand further.

The other member of the group is Skypak Travels which is small fry compared to Skypak's other companies. It is a low-profile travel house established six years ago and handles only corporate business. With just one office in Bombay, Kulkarni does not have any plans to expand this business. "It is just a run-of-the-mill company," he says.

But even the minnows add to the numbers. And Kulkarni has targeted a group turnover of Rs 200 crore five years down the line. With flagship Skypak Couriers setting the pace, he should be able to deliver.

□ Chhaya Balachandran

TRYING TO SURFACE

It is a prime candidate for the chopper; the 90-year-old Bengal Chemicals & Pharmaceuticals Ltd (BCPL) has pride of place in the industry ministry's hitlist of sick central public sector undertakings.

But, early last month, managing director M.G. Banerjee got a breather — a cheque for Rs 2 crore from the government of India as part of a rehabilitation package. Banerjee had been pleading for this for the past four years. By his estimate, BCPL needs an infusion of at least Rs 4 crore to emerge from the woods.

As it happens, the Rs 2 crore is no longer in the company's coffers. It immediately went towards the voluntary retirement of 140 workers — the list was ready and the workers willing.



BANERJEE: *Attempting a turnaround*

This flab-trimming reduced BCPL's workforce to 1,470 from 1,610.

This exercise will bring down the wage bill, which accounts for a whopping 40% of total costs, by 16%. And if more money is forthcoming from the government, Banerjee will wield the axe again; staff strength will be reduced by another 200. "That could see us break even," says Banerjee.

The other problems BCPL faces are poor marketing and low productivity. When Banerjee took over the reins in October 1986, sales per employee was only Rs 50,000. Today the figure has improved to Rs 1.11 lakh and the target is Rs 1.8 lakh.

The company's results for 1991-92 show sales at Rs 16.5 crore with a cash loss of Rs 3.45 crore. Banerjee hopes to up turnover to Rs 24 crore this year and trim cash loss to Rs 1 crore. The sales target for 1993-94 is Rs 30 crore. "This is a threshold level to reach neutral position," says Banerjee.

Marketing tieup. But how does he propose to get there? "We have prepared ourselves to meet the challenge," says Banerjee. "As a first step, we have given some of our marketing to Voltas. An agreement to this effect was signed three months ago. Under this, Voltas will market BCPL's products in western India." If this succeeds, Banerjee has plans to rope in Voltas for the southern region too.

The Voltas tieup might take BCPL places because its products are not exactly unknown. For example, Eutheria, a balm for external application for muscular pains and sprains, has a 6% market-share. Others like Cantharidine hair oil and Petal glycerine soap were familiar names at one time but have now been pushed into the background by more aggressive competitors.

The company has been setting its manufacturing house in order to augment output. Some modernisation has been undertaken, the funds coming from sale of junked assets (Rs 20 lakh) and a Rs 35 lakh contribution from the government. But the problem in the end will be money. So far, BCPL has notched up accumulated losses of around Rs 56 crore of which Rs 27.8 crore is on interest on government loans. The book value of BCPL's assets is a meagre Rs 4 crore.

But can't the company sell or lease its surplus land to bring in some moolah? Says Banerjee: "The government of India is the owner, I'm just a manager. The board does not want to sell the land." BCPL's plants are in prime areas in Bombay, Calcutta and Kanpur.

If land sale is a no-go option, BCPL will have to wait for government largesse. And, with purse strings being tightened all around, the company could continue a frontrunner for public sector euthanasia.

□ Ashoke Laha

SPECIALITY FOCUS

Fiscal 1992-93 will mark a watershed in Shyamsunder Toshniwal's career; it's the year he turns from small trader to medium-sized manufacturer, from proprietor of an export house to chairman of a group of companies.

The transformation is already afoot. Two of his units are in the trial-run stage and will commence commercial production before the monsoons set in. A third should go on stream in December. The three projects — two of which are 100% export-oriented — involve a total outlay of Rs 17.3 crore, staggered in phases. And the combined first-year revenues are expected to be in the region of Rs 26 crore, roughly four-fifths of which should be in the form of foreign exchange.

The former J.K. Synthetics employee, who exported everything from glass bottles and wheat to engineering goods and even an entire mango juice bottling plant, now intends to focus on a few speciality areas — primarily, dyes and their intermediates. Here's how he plans to position his group companies:

- Toshniwal Agrochem will manufacture some speciality dyes (like Red-B-Base), dye intermediates and agrochemicals. According to Toshniwal's son Sanjay, the Rs 11.80 crore project is expected to yield revenues of Rs 18 crore in its first year of operations. Toshniwal has an agreement with Pillar International under which the Taiwanese company will lift his entire output of agrochemicals. He's hoping to strike a similar deal with Summit Speciality Chemicals Corp (a subsidiary of Japanese giant Sumitomo) for some dye intermediates. Commercial production is expected to start at the Tarapur (Thane) plant shortly.
- Toshika Chemicals will manufacture U-B-Base, a dye intermediate that has applications in printing inks, textiles and various other industries. The company has a full buy-back arrangement with a German company Toshniwal won't name right now. The plant, also at Tarapur, goes on stream in December and is slated to post revenues of Rs 4 crore in its first year.
- Toshniwal is setting up a joint venture (yet unnamed) in Nigeria for the manufacture of fast-base salts. This outfit, expected to go on stream in early 1993, will source all its raw materials from Toshniwal's Indian companies. The numbers of this project are under wraps for the moment.

All the exports from India will be routed through Toshniwal Exports, which, according to Toshniwal, will be the group's flagship.

Toshniwal has been exporting dyes and intermediates for several years now. His move to manufacturing was prompted by two factors: "First, since we were dependent on several small-scale units, we couldn't ensure consistent quality. Second, foreign buyers seem more comfortable dealing with original manufacturers than with traders."

Milk powder venture. But his manufacturing interests won't be restricted to chemicals alone. Later this month, Lactose India, a company he promoted last year, will start production of milk powder from whey (the watery liquid that remains after milk turns into curd). The 465-tonne-per-annum Anand plant, which cost Rs 4.50 crore, is expected to bring in revenues of Rs 4.50 crore in its first year. Says Lactose India managing director Atul Maheshwari: "We will procure whey from the National Dairy Development Board (NDDB); they consider it a waste product and have agreed to sell it to us at a throwaway price."

Lactose India will be the only Toshniwal group company that does not export its output. The domestic demand for its product is around 6,000 tonnes, all of which is imported.

Toshniwal also owns (through Toshniwal Holdings) a small video cassette manufacturing outfit near Bombay. The company has a technical collaboration with TDK Inc of Japan, one of the world's largest video/audio tape manufacturers. It sources all its raw materials from the Japanese corporation and assembles the cassettes in India.



TOSHNIWAL: *Looking for quick results*

The unit, with an annual capacity of 1 lakh video cassettes, exports most of its output to west Asian countries. It also manufactures video head-cleaning cassettes and sprays which, according to Toshniwal, command a good premium abroad. However, he doesn't intend to expand the unit's capacity soon.

For now, Toshniwal is content to pursue his ambitions in dyes and agrochemicals. And he's confident his new ventures will yield quick results. "By 1994, the group should have a turnover of Rs 100 crore," he says.

Shyamsunder Toshniwal has clearly come a long way from the days when he used to operate out of a cubby hole of an office, and export practically everything he could lay his hands on.

□ Jiten Mehta

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■ The **Raunaq group** headed by Raunaq Singh plans to set up a $150 million plant in west Asia to manufacture phosphoric acid, a chemical intermediate for phosphate fertilisers. It also plans to establish a Rs 450 crore fertiliser project in Karnataka in the joint sector to manufacture nitrophosphates. The raw material will be supplied by the west Asian plant.



RAUNAQ SINGH: *Setting up new units*

■ **Union Carbide** plans to sell its remaining 50.9% stake in Union Carbide India, Bhopal. Proceeds from this sale will be utilised to build a hospital in Bhopal for victims of the December 1984 gas tragedy. Though neither the sale price nor the buyer has been decided, Union Carbide hopes to raise more than $17 million (Rs 53 crore).

■ In the first-ever Indo-US joint venture in human biotechnology, the **CDR Health Care** group of Hyderabad has tied up with Berkeley Antibody Co (Babco) of the US to manufacture various kits based on monoclonal antibodies.

■ **Harrison Malayalam,** a part of the Rs 2,200 crore R.P. Goenka group, is investing Rs 1,800 crore to tap the greenfield area of biotechnology. The mass production facility is likely to become operational by May. The company has also recently set up a Rs 1 crore tissue culture laboratory in Hosur, Karnataka.

■ Making a major shift in its manufacturing profile, Bharat Heavy Electricals Ltd (**Bhel**) has decided to produce hitech microwave-based life saving machines — medical Linac — for cancer treatment by radiation therapy. Such machines are currently being imported.

■ Indian Oil Corp (**IOC**) and Kuwait Petroleum Corp (KPC) have finalised terms for the import of 4 million tonnes (mt) of crude, 1.2 mt of high-speed diesel (HSD) and 0.9 mt of kerosene in 1992-93.

■ Tata Iron & Steel Co (**Tisco**) has signed a DM 20 million (Rs 37 crore) medium-term loan pact with UK's Barclays Bank. The seven-year loan will help Tisco acquire an LD plant and capital equipment for the company's ongoing modernisation and expansion programme. The loan repayment will be sourced entirely from Tisco's export earnings as planned by Barclays Bank.

■ With India's growing reputation as a leading granite exporter, private sector company **Jaiswal Granites** has entered into long-term marketing tieups with reputed manufacturing and trading concerns in Japan, Italy, Singapore and Belgium.

■ **Kirloskar Brothers** has bagged a Rs 270 million order for the export of pumps to Egypt. The equipment to be exported will be used in the reclamation of 65,000 acres of desert land in Egypt. A contract in this connection was signed in Cairo by Kirloskar Brothers chairman S.L. Kirloskar and General Authority for Rehabilitation Projects and Agricultural Development of Egypt (Garpad) chairman Ahmed Fouad A. Hadab.

S.L. KIRLOSKAR: *Bagging vital export orders*



■ A memorandum of understanding (MoU) has been signed by **Tata Exports** and Saudi Advanced Industries Co (SAIC) for extending technological and managerial support to industrial units in Saudi Arabia.

■ Owing to unsatisfactory work progress, the World Bank has struck off its $312 million loan to the **Indravati multipurpose project** at Kalahandi, Orissa.

■ The **Ross Murarka** group has undertaken a diversification programme to enable it to qualify as a recognised export house. The group has set up a Rs 5.5 crore phosphoric acid plant at Cuddalore, near Pondicherry, with Taiwanese collaboration, under the banner of Rosschem Industries.

■ **Sagar Cements**, which has a mini cement unit at Mathampally, in the Nalgonda district of Andhra Pradesh, plans to expand its total cement capacity from 400 tonnes per day (tpd) to 1,000 tpd at a cost of 2,050 lakh. The company manufactures ordinary portland cement, sulphate-resisting cement and railway sleeper cement.

■ **Indian Filaments** proposes to set up a cotton yarn project in Mathura district of Uttar Pradesh to cater to the export markets. The project will have an installed capacity of 45,000 spindles.

■ **Raheja Sulphur** is setting up a sulphur-based chemicals plant with an installed capacity of 24,000 tonnes per annum (tpa) at Gujarat industrial development complex (GIDC), Ankleshwar. The plant and equipment are indigenous.

■ **Tainwala Chemicals & Plastics (India)** has signed a MoU with a renowned European company to export its personal care products, Casper mosquito repellent and Freshones wet serviettes. The products will be marketed in Europe, Latin America, Africa and Australia.

BRIEFS

■ **Air India** has signed an agreement with Kuwait Airways for overhauling engines of its Boeing 747 fleet. According to an Air India spokesman, 10 engines have already been overhauled and delivered to Kuwait Airways since the agreement was signed. The period of the agreement is three years.

■ Hindustan Zinc Ltd (**HZL**) has bagged an order to export 750 tonnes of zinc to Pakistan and the United Arab Emirates. The company has also negotiated a few other contracts for the export of zinc.

■ **India Cements** has joined ACC, Gujarat Ambuja Cements and ITC to bid for the ailing Andhra Cements, says *The Observer of Business & Politics*. The bids were called by the Board for Industrial & Financial Reconstruction (BIFR) to which the company had been referred in 1991.

■ The Foreign Investments Promotion Board (FIPB) has cleared decks for the entry of South Korean giant Lucky Goldstar which proposes to manufacture a whole range of state-of-the-art consumer electronics products in collaboration with the Calcutta-based **RPG group**.

■ The **Thapar group** plans to harness the services of its newly-acquired subsidiary, Krebs & Cie (India), for the Rs 250 crore chemical project it plans to set up to manufacture aniline and methanol.

■ The **ITC group** has decided to base its international operations in Singapore by forming a wholly-owned subsidiary. To be called ITC Holdings Pte, the subsidiary will have a paid-up share capital of $ 5 million.

■ **Zenith,** the flagship company of the Birla group, is set to be revived. According to *The Economic Times*, the BIFR and commercial banks are likely to accept the Rs 22 crore rehabilitation scheme submitted by the company.

■ The World Bank has agreed in principle to release $400 milliorr to the National Power Transmission Corp (**NPTC**) to implement new transmission projects in the country. This is the first World Bank loan to be sanctioned to the newly set up public sector undertaking.

LAUNCHES

■ Kelvinator has launched a new **refrigerator** — the Sterling 310 litre double door. It has three large compartment freezers located at the bottom and is powered by twin compressors. The refrigerator has separate thermostats for temperature control in the freezer and cabinet.

■ Devidayal Electronics & Wires has launched electronic **smoke detectors** for the Indian market. The product is manufactured by a subsidiary, Devidayal Detectors, with French collaboration and is a key component in fire protection systems.

AWARDED

■ The Phulpur unit of the Indian Farmers Fertiliser Cooperative (Iffco) has bagged the second best **productivity performance** award instituted by the National Productivity Council (NPC) in the fertiliser industry group for 1990-91. The NPC award for the second best productivity performance in the heavy engineering sector has been bagged by the Mysore complex of Bharat Earth Movers Ltd (BEML).



GANESH KAMAT (R): *Concrete ideas*

■ The All India Economic Forum has bestowed the **Udyog Jyoti** award on Christine Fernandes, general manager of Taj Residency, Bangalore, for her contribution to the hotel industry as one of the only three women general managers in the country. The award was presented in New Delhi by minister of state for surface transport Jagdish Tytler on 4 April.

■ Larsen & Toubro (**L&T**) has received the IF92 award in the **international design competition** in the industrial fair at Hanover, Germany, for two of its products — improved front facia for a circuit breaker and the mini 84 programmable logic controller. So far, 11 of L&T's products have won this award over the years.

■ State Bank of India managing director P.V. Subba Rao has bagged the **Shiromani** award for his contribution to the banking industry.

■ Chloride Industries has been awarded the approved inspection scheme (**AIS**) certificate for its stand-by batteries by the department of telecommunications (DoT). Chloride's total sales of stand-by batteries to DoT is around Rs 5 crore per annum.

■ Ganesh N. Kamat of Ganaka Engineers & Architects has bagged the **Vijaya Shree** award for his role in building construction using the reinforced concrete block method.

■ Godrej group chairman S.P. Godrej has bagged the **Indian Merchants' Chamber** diamond jubilee endowment trust award for 1991. Others to bag the award are Canara Bank Relief & Welfare Society, Banshankari Bangalore, National Thermal Power Corp (NTPC), Korba and Krishak Bharati Cooperative (Kribhco), Surat.

HTA enters the Rs 150 crore league.

GOING GREAT GUNS

This year's cricket World Cup was watched keenly by Hindustan Thompson Associates (HTA) chief Mahinder Kumar 'Mike' Khanna. He had an antenna fixed just outside his own office in Bombay and a TV set installed in the agency's conference room. "It was fun," says he. "We were constantly flitting in and out of the conference room to keep abreast of the action. At the end of it all, sadly, no single batsmen scored 150 runs in an innings. The best score managed, if I recall right, was some 120-130 runs."

That's a charge Khanna won't be able to level at his agency. In the year just ended, HTA is expected to race past the Rs 150 crore capitalised billings mark — the first agency in the country to do so. "I can't give the exact figures, they have to be approved and audited," says Khanna. "But the fact is, it's been a year of significant growth."

By vaulting the Rs 150 crore hurdle, Khanna has notched up another distinction for his charge; HTA was also the first Indian agency to touch Rs 100 crore in billings, which it did in 1989-90. But what makes this year's achievement even more creditable is that it happened at a time when advertisers were slashing their adspends resulting in the ad industry growing at a dismal 8-10%. "We have been growing at a compound rate of around 27% over the past five years," says Khanna. "Only, we haven't been making a noise about it. We are rather low-profile."

And it has been so with a purpose. After the spat and concurrent settlement with Lintas in the previous decade regarding who is bigger, HTA has preferred to stay away from the arclights. But indeed a lot has been happening at the agency. "Clients have been asking for more services, or there are areas where we've spotted opportunity and moved in after being sure we can do a good job of it," says Khanna. Take a look at some of the action:

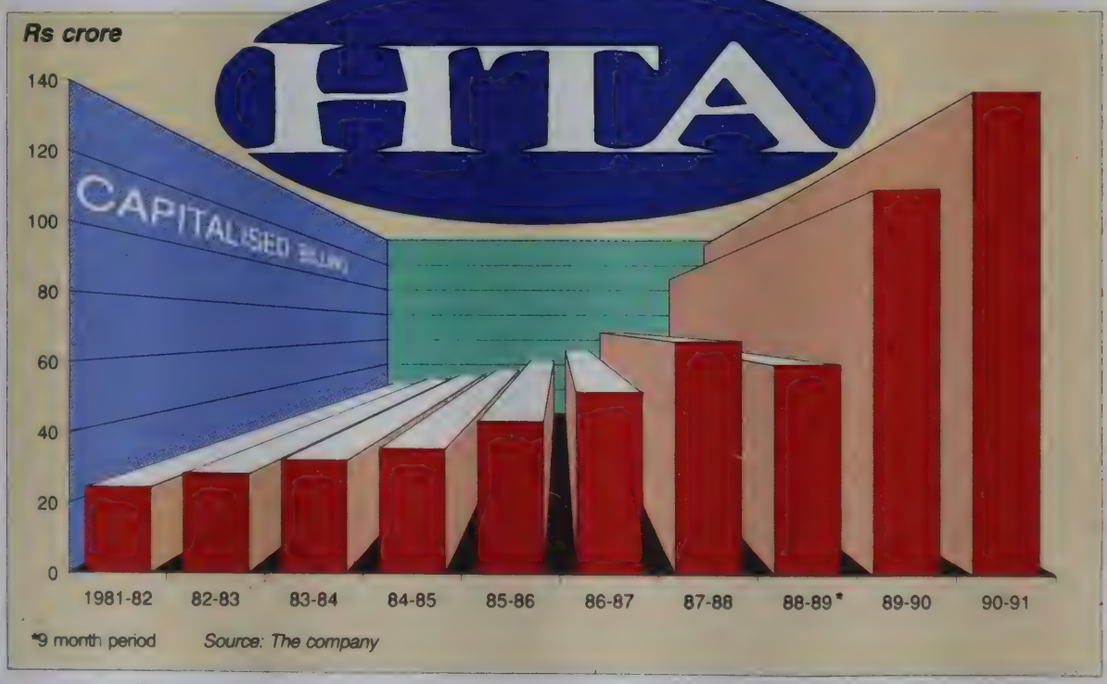
■ HTA's long-talked-about direct marketing (DM) unit — HTA Direct — finally got on the road on 1 April 1992. Headed by Ashutosh Bishnoi and masterminded by HTA Bombay chief, Anil Bhatia, it has come up much after Ogilvy & Mather and Lintas got their outfits going. But Khanna believes that HTA has not entered the game too late. According to him, DM's best hour is yet to come. Bhatia, on his part, is currently tying up the loose ends with Bishnoi. He, however, is quite sure of the direction HTA Direct is going to take. Says he: "We'll begin with existing clients. Overall, we wouldn't like to pinch clients; our strategy will be to expand the market."

■ HTA's market research (MR) division Indian Market Research Bureau (IMRB) has tied up with Research International (RI) of the UK to set up a new venture RI India. It will be headed by Thomas Puliyel (currently IMRB vice-president & general manager). Says Puliyel: "RI will be providing us sophisticated tools for forecasting brand volumes. Sensor, Microtest, and Pricesolve are some of the tools that'll be on tap. And they've been developed after being tested in several countries. These are services that Indian advertising needs."

■ A round of management musical chairs took place a couple of months ago with Delhi office chief Nikhil Nehru bidding goodbye to the agency to take up an assignment in the Gulf. Sunil Gupta, who was heading the Calcutta office, replaced him. And Kamal Oberoi jetted down from Delhi to Calcutta to take his place. Rumours immediately started that the HTA Delhi office would suffer on account of this. But Khanna doesn't see things coming to such a pass. "I've got letters from all my clients in Delhi saying they're going to stand by us," says he. Industry sources, however, think otherwise. Says an agency chief: "Advertising is a people business. Over time, clients will miss the Nehru touch and move out to other agencies. Let's wait and watch."

■ In 1991, the agency floated its exhibition-cum-design unit — Design C — to offer services such as organising exhibitions, interior design and product development and packaging design. And it has picked up some good busi-

GALLOPING ALONG



*9 month period Source: The company

"THE FUTURE IS PRETTY"

As head of India's largest advertising agency (though Lintas' chief Alyque Padamsee may think otherwise), Mike Khanna sees things from a different perspective. And he's often called on to give his views on the industry at seminars, functions etc. More often than not, Khanna complies. And, when he talks, people listen; be it a fellow ad professional, a bureaucrat, a marketer or a journalist.

BusinessWorld *spoke to Khanna on various issues related to advertising. Some excerpts:*

■ On whether he expects advertising to regain its momentum soon.

Of course. Last year was somewhat of an aberration. The industry grew just some 8-10%. That in real terms was negative growth. But things have been looking up from January, as advertising got back on track. And I have no doubt that it will play a greater role. Ad expenditure measured in terms of GDP (gross domestic product) is low. And the industry is not even Rs 2,000 crore. That's peanuts. As international companies and brands come, the business will take off. As for this year, I expect the ad industry's growth to be double of last year. Indeed, the future is pretty. By the end of the decade, the industry will touch Rs 10,000 crore and the largest agency Rs 1,000 crore.

■ On who will benefit from this turn of events.

All agencies will grow. But the large and medium agencies will grow at a faster rate. That's because there's a lack of good agencies to meet the sophisticated needs of larger clients. In fact, I'd love to see a lot more agencies moving from small status to medium-size. There is a need for larger agencies. If this happens, the entire business will benefit and grow faster.

■ On whether he expects mergers & acquisitions to hit advertising in a big way as has happened in the US and UK in the previous decade.

If mergers occur, it will be among the smaller agencies. Amongst the top 10, no. There are reasons for this. Two large agencies will not be able to merge mainly due to conflict of interest. To be able to unite, a substantial chunk of business will have to be dropped.

Takeovers were possible abroad because agencies were listed on the stock exchanges. Businessmen promising shareholders better returns entered the picture and accumulated stock, finally taking over the agency. In India, none of the agencies has been listed; so takeovers won't be easy.

■ On whether he sees any agency going to the public for funds.

No. The bigger ones which can go public have healthy cash reserves to fund their growth. Having seen the experience of foreign agencies, I don't think any Indian agency would like to expose itself to the risk of a takeover. If any can be expected to go public, it is the financial ad agencies which will.

■ On the shortage of ad professionals.

There definitely is a shortage of good people. On the creative side, the situation is going to get worse. People have to be developed in-house; but agencies don't want to spend on training. They prefer to pinch.

■ On the consumer in the nineties.

The consumer in India, as you well know, comes in a huge variety of demographic and psychological construct. It is difficult to track trends in a country which is a synthesis of contradictions. For almost any statement you make about India, the opposite is also true. And yet it is possible to note some of the more visible trends in urban India — such as the younger population, the growing middle class, multi-income households, increased mobility and rising incomes — leading to pursuit of leisure activities and growth in consumption of products and services. All these trends will accelerate in the coming decade. And we, in advertising, will need to be really clued-in to tap them.

Then there's the rural market. A recent survey puts its size at 50 million households consisting 325 million people above the poverty line who are increasingly entering the market. We are still looking at the tip of the iceberg. The problem is, the rural consumer's psyche is still largely unknown. The reliance on Western models and concepts has to give way to locally-groomed ones. Unless concerted efforts are made to understand the rural consumer's psyche, lifestyle and behaviour, efforts to tap this great potential are likely to be largely hit-and-miss affairs.



ness: Design C handled the India pavilion at the International Trade Fair in Berlin and the State Trading Corp (STC) pavilion at the India International Trade Fair, among others. Its billings for 1991-92 are expected to be Rs 2.5 crore. Says Khanna: "I see a great deal of potential in Design C."

■ Six months ago, HTA set up a subsidiary called Thompson Social to handle social marketing assignments becoming, in the process, the first agency to do so. When Nehru quit there were rumours that the outfit would be shuttered as it was his baby. But Gupta doesn't see that happening. Says he: "No, it's definitely not being closed. HTA wouldn't have started it if its prospects were not just bright but superb. We are getting enquiries from clients, not just from Delhi but all over the country. It's currently handling more than 10 projects."

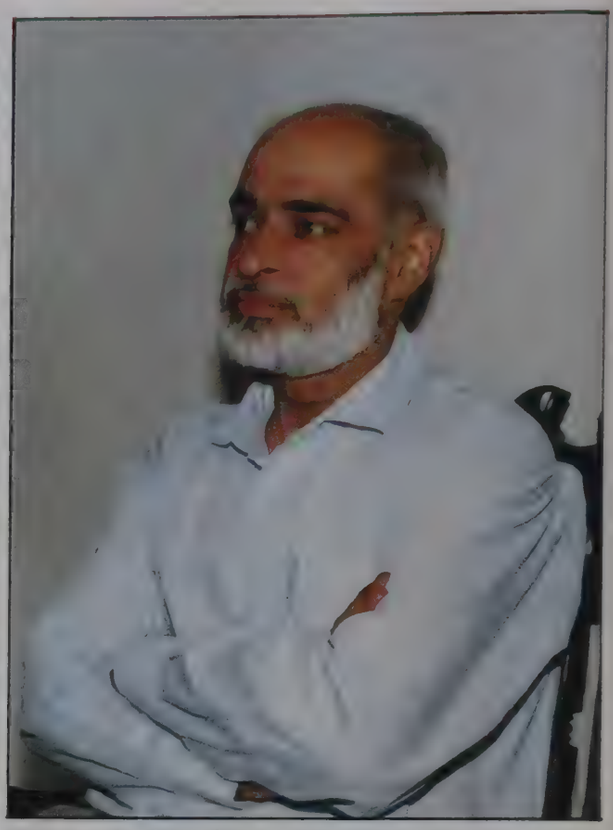
■ HTA's other division — Indian Public Affairs Network (IPAN) which handles public relations for clients — and subsidiary Contract Advertising are in fine trim. What isn't is its second subsidiary Fortune Communications. Set up a mite too late to be able to fully exploit the opportunities in financial advertising, it is today struggling to hold its own against the specialist outfits. "All the big agencies have been guilty of leaving the business to the specialists, " says Khanna. "But now Fortune is beginning to get business and it's really raring to go all out."

While that makes for quite a plateful, even in its mainline advertising activity, it's been all systems go. In the period, January-December 1991, HTA gained some Rs 18.85 crore in capitalised billings from 38 clients. "While existing clients normally bring in a huge chunk of business and our priority is to keep them happy, it would be silly not to look outside. But there is a problem here: that of conflict of interest. Oh! It can be frustrating," says Khanna.

Nonetheless, the HTA Bombay office has started looking to get accounts beyond Bombay. "I see a lot of potential in Gujarat and Pune," says Bhatia. "If business grows there, one could even think of satellite offices." The push there has yielded some accounts: Cadila Labs, the Indian Petrochemicals Corp Ltd (IPCL), Mafatlal Electronics and Kinetic Honda.

The agency has also been firing ahead on all cylinders with its automation plans, and has installed more than 100 computers across its offices. Practically all the major functions at the agency have been automated — right from media to finance and creative. "We've spent over Rs 1 crore on hardware and software until now," says Khanna. Adds vice-president & systems director Anupam Biswas: "The speed that it has imparted to our operations has made it well worth it. And we are continuing with phase II of our automation." Part of that is plonking a personal computer on Khanna's desk this year.

While that will undoubtedly help Khanna, what has given a shot in the arm to the agency is its performance on the awards front this year. "I was doing some calculating and guess what? HTA bagged some 73 awards last year. If I am right that's the maximum earned," says Khanna. That should put to rest the cries of some of its critics who see HTA's advertising as none-too-exciting and non-experimental. "We're one of the perennial creative hotshops," says executive vice-president & national creative director Ivan Arthur. "But because we're large, nobody looks at us that way. The HTA mission statement is to create advertising that's effective and distinctive. Indulgence for indulgence's sake is wrong. Remember, you can stand on your head and do nothing."



BHATIA: *Looking beyond Bombay*



IVAN ARTHUR: *Effective and distinctive approach*

One accusation that has been hurled against HTA for a while is, the agency is overloaded with ad professionals (its employee strength is 1,000 plus). Staff salaries during the year to March 1991 ate away a mammoth Rs 6.88 crore from its income of Rs 20.45 crore. Khanna agrees that this is a huge sum, but disagrees that it is something that is harming the agency. "We're in a people business after all. And we like to pay them well. Agencies must have a network of offices to meet today's and tomorrow's needs," says he. Adds Bhatia: "There's definitely no flab at HTA." And both point to the per capita billings figure at HTA. "It's around Rs 15 lakh and it's been rising every year," says Khanna.

And he's very bullish about the future. Says he: "There are exciting times ahead. A lot of foreign brands are going to come. And we hope to exploit all the opportunities that come our way.

I believe the advertising industry is going to touch Rs 10,000 crore by the end of the decade and the largest agency Rs 1,000 crore." Will that be HTA?

□ Anil Wanvari

FANTASTIC VOYAGE?



In stark contrast to the US and the UK, travel magazines in India have yet to make that crucial journey to the big time. *Voyage* — a monthly travel magazine from smalltime Bombay-based publishing house Parsiana Publications — hopes to get there by providing authentic and accurate information to travellers.

"There is a total dearth of information in our country," says editor Jehangir Patel. And this is where he plans to add his bit. The magazine, says Patel, will cater to all sections of society with a special emphasis on the middle and the upper-middle class.

"The business traveller generally has access to the information he needs. But for the average holiday maker the main sources are government offices, travel agencies, relatives and friends who are generally unable to give the latest information," says Patel. The articles in *Voyage*, he adds, will be all first hand and totally updated, and will cover holiday hotspots both in India and abroad.

Voyage costs Rs 12 and is at present available in all the metros and semi-metros. Once *Voyage* takes off, Patel plans to launch travel books and travel video magazines. That would be really travelling.

THUMBS UP TO RUM

Rum and cola. It's a combination that's quite heady for tipplers. Now two companies — Parle Beverages (the Bombay franchisee of Parle Exports) and McDowell's — are going to town tomtomming that fact. The two have put up hoardings at strategic points in Bombay jointly advertising rum and Thums Up. Says Parle Beverages president R.K. Sethi: "It's a lovely fusion. There's a battle going on in the customer's mind and in the marketplace over colas. And Thums Up and rum is an ideal combination. There's no cash consideration in our deal."

According to Sethi, Bombay is only the starting point for the piggyback ride. "We'll be converting a sizeable number of hoardings over time," says he. But liquor advertising is still banned, isn't it? So it seems a rum do.

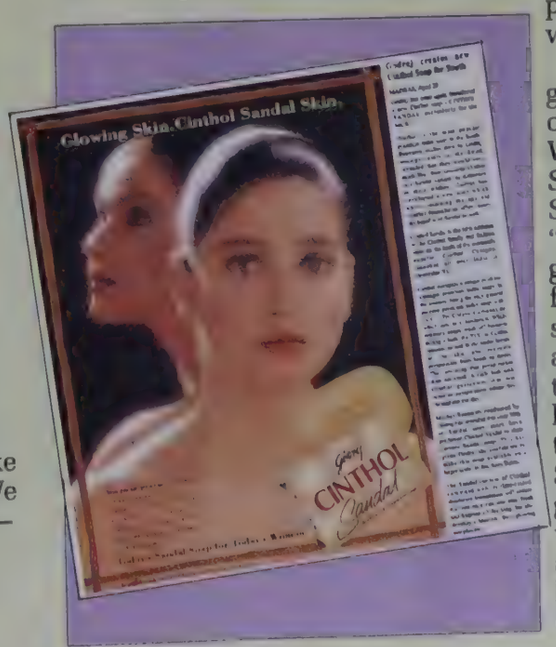
KICKING OFF WITH SANDAL

It's trying to hitchhike on the success of the Cinthol brandname. Godrej Soaps, which already has regular, lime and cologne variants under its mainstay brand, has launched another one — Cinthol Sandal — in a bid to cash in on a small but vibrant market for sandal soaps in the south.

But to slip into a market dominated by Karnataka Soaps' Mysore Sandal and Wipro's Santoor is not going to be easy. Says Godrej group vice-president (marketing) Hoshedar K. Press: "Santoor is doing very well. Its USP is sandal and turmeric and it has got various things going for it, especially price. But we don't exactly know whether turmeric or sandal is doing the trick."

Press hopes to push this variant by taking a different tack. Says he: "We are not going to take either brand head on. We are aiming for a niche — it is going to be postioned as a modern premium brand for today's woman. Moreover, our brand is a synergy between a deodorant and sandalwood. The sandalwood content along with the deodorant formulation (TCC — tri chloro carbanalide) should make it an attractive buy."

Meanwhile, an earlier-launched Cinthol variant — lime soap — is being pushed hard. Dalmia Dairy, the maker of Sapan Dairy Special, is offering 50 gm packs of Cinthol lime free with purchases of the product. Under the deal, Godrej is supplying Cinthol lime to Dalmia Dairy at attractive prices. Says Press: "It's a symbiotic relationship. Both brands stand to benefit from the agreement."



Godrej is also trying to work up a froth for its Shikakai soap which failed to make much headway earlier and bagged only a 2-3% marketshare. The soap is being relaunched with a new formulation and packaging for a fresh assault on the western region. Says Press: "The advertising reworking cost us about Rs 75 lakh. The whole product is being spruced up. The formulation will now include *amla*, and there will be new, attractive polylaminated wrappers."

And how is it going to contend with Wipro's Shikakai soap? Says Press: "There is a growing market for shikakai soaps in rural areas." And that's where he's going to train his sights. Says he: "The group has a wide marketing arm and we hope to cash in on this."

Whether on the Ajmer-Jodhpur highway or Kiranur-Katpadi dirt road...



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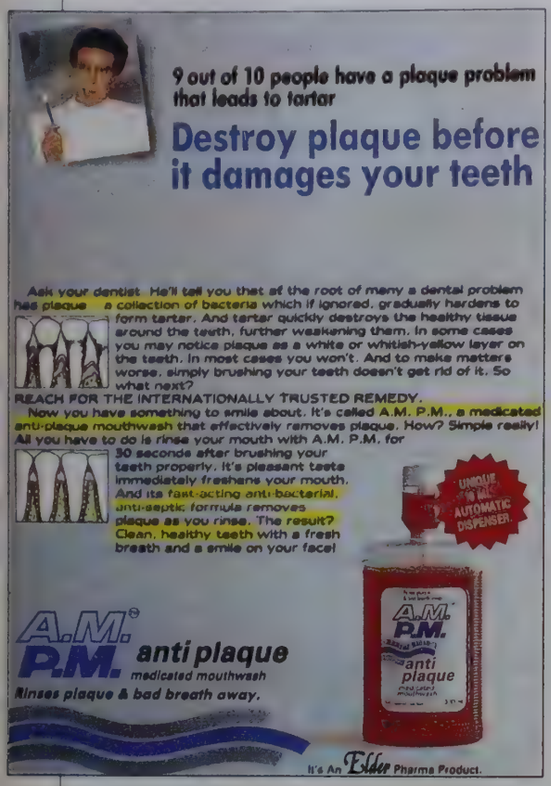
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A MOUTHFUL OF MOUTHWASH



Here's another mouthwash hoping to wash up some success. Introduced by Elder Pharmaceuticals, the new product promises to be different. Called A.M.P.M. — the brandname obviously hints at 24-hour fresh breath — it is targeted specially at those who are conscious of oral hygiene. Not surprisingly, the press ad is captioned "Destroy plaque before it damages your teeth."

But what's the point of entering a Rs 3 crore market where brands like Prudent and Listerine are ruling supreme? Says Elder senior product manager Satish Ramachandran: "It is a small market, yes, but it is growing rapidly. Besides, we're not really competing with Prudent — it's a cosmetic brand whereas ours is a medicated anti-plaque product." Dismissing any suggestion that the ever-increasing spate of mouthwash-containing toothpastes might affect A.M.P.M., he adds: "Simply brushing your teeth doesn't get rid of plaque; our product should be used after brushing."

Launched in Bombay and some other western centres on 10 February, the product went national on 1 April. It is being vended in bottles of two sizes, the 300 ml one costing Rs 31.50 and the 120 ml Rs 18.50, both rates exclusive of taxes. The company initially resorted to press advertising, but has now gone on to video magazines and will soon make it on TV.

Incidentally, Elder is a Rs 50 crore company which diversified into consumer products only six months ago. Prior to that, its two major products were Chymoral Forte, meant for soft tissue injuries, and Shelcal, a calcium supplement. Will Elder live up to its name in the mouthwash market too?

NEW MOVE

Triton Communications is moving at a fair trot. The Bombay-based agency has flagged off its Delhi office. And it's pinched nearly a dozen professionals from old poaching spot Everest to staff the operation. Amitava Mitra, former Everest vice-president, will be heading the Delhi show with Ajithi Misra (also ex-Everest) as his media director. "We've taken on a creative group head and other senior client servicing executives from Everest because we've worked with them before and feel quite comfortable with them," says Triton joint chief Ali Merchant.

The agency has also kicked off a new outfit called Viking. Viking will work on event marketing and sponsorship programmes. "We're on the fast track and we want to grow further laterally," says Merchant.

CLEANING UP

The modern city dweller never had it so bad. Garbage, dug-up roads, a creaky infrastructure... you name it, assail him from all sides. Well, Calcutta's fed-up denizens are making an effort to improve things on at least one score: garbage.

Concern for Calcutta, a voluntary organisation, has recently come up with a 'communication package' to clear the city of all its garbage. The package consists of leaflets, hoardings and other press advertising in English and Bengali, exhorting citizens to clean up the city by individual concerted action.

Says Ram Ray, CEO of Response and an active member of Concern for Calcutta: "It's not possible for us to clean up the entire city of its muck; we shall be working actively at some sites and hope to lead by being an inspiring example." Lead on, wot!

A HOT FAVOURITE?

A 'two-in-one,' that's what Procter & Gamble's (P&G's) new product, Vicks Hot Sip, claims to be. A soluble powder, Hot Sip is to be mixed in half a cup of hot water and gulped down. And, hey presto, stuffy throats and noses both get cleared simultaneously. Hot Sip comes in a 3 gm satchet and it has been in the test launch phase since January this year in Lucknow and Kanpur. Says a P&G spokesperson: "We've had an excellent response to Hot Sip." Seconds Enterprise Advertising (Hot Sip is its account) director Anand Halve: "Most of the other products available tackle



either cold or cough. Hot Sip gives fast relief for both. This is its unique selling proposition and so it is sure to get a good response."

While the single satchet is yet to go national, P&G is gambling further with six satchet packs priced at Rs 13.50 as against Rs 2.25 per satchet. These will be out next month. The product is available in three variants — ginger, clove-cardamom and orange. Says the spokesperson: "Hot Sip is here, because, the Indian consumer needs a cough-cold remedy in a hot drink form."

LINTAS' NEW ACCOUNT

Philips is continuing to hog the limelight. If Lintas sources are to be believed, the company has made a further change as far as its ad agencies are concerned. It has handed over the Philips TV account to Lintas. This covers both black and white and colour TVs. The loser in this game: O&M, which had the account earlier. Lintas' gain: a sweet Rs 3-3.5 crore in billings.

ON THE WATCH

Wooing women with watches is not just a weak attempt at alliteration; rather it's Titan's latest effort to make further headway in the already cluttered wristwatch market. The company has rolled out a new range of watches christened Raga. And it is harping on ethnic designs to get Raga ticking.

Says N. Chander, account manager of Ogilvy & Mather (O&M), the agency that handled the campaign: "One of the unique things about Raga is that it helps preserve ethnic art by presenting it in a contemporary fashion accessory like a wristwatch."

Priced between Rs 1,000 and Rs 1,300 the watch, which was launched in the metros and mini-metros in 17 designs, is beamed at the 18-30 age group with a monthly household income of Rs 2,500 and above. And, of course, being exclusively for the finicky fairer sex, each watch is thoughtfully provided with two straps, one with the dial design and the other neutral, while new designs are expected to hit the markets every six months.

What kind of a response will it get in the market (size: 2.37 million according to 1991 figures with Titan's share estimated at 60%)? O&M feels that it will be "very encouraging."

So ladies — do watch out.



ADDING SPICE

It's a gentleman's offer. The Sterling group of publications, currently in the Indian Express group's fold, is bidding to increase circulation of one of its magazines — *Gentleman*. And it is endeavouring to do so by doling out free gifts. Guess what's on offer for the new *Gentleman* reader who takes up an annual subscription — an Old Spice travelling pouch worth Rs 128.

Says Sterling group editor and publisher Maneck Davar: "The deal is reciprocal. (*Gentleman* and *TV & Video World* have a circulation of 40-45,000 each; and *Business Computer* about 20,000.) For a subscriber the pouch would cost a packet, if he were to buy it at a shop. We are offering it as a sweetener and he gets real value for money." This is not the first time that Sterling is resorting to such tactics to boost circulation.

Earlier, for new annual subscriptions *TV & Video World* had offered three CBS-Sony audio cassettes and *Business Computer* two floppy diskettes of antiviral software.

For Colfax Laboratories, makers of the Old Spice range, the agreement means greater mileage for its product. Says advertising and sales manager N. Mahadevan: "The ads are very prominent in the magazine." Elaborating on the deal he says: "We are supplying *Gentleman* with a limited number of pouches in return for free ads to be run over a period of time. And we are thinking of extending the deal to another Sterling publication (*TV & Video World*) and *A&M*."

But why the sudden noises? Is competition getting spicier with Park Avenue and the entry of new premium brands of men's toiletries like Saka and Premium? Mahadevan doesn't believe so. Says he: "We have been market leaders for quite a long time. And it will not be easy to make a dent in our share." Famous last words?



FROM MARX TO MARKET?

Selling a state to industry's big guns as an investment hotspot is not as simple as hawking soap. But there are some state outfits which have been trying their luck. It's quite common to see official teams from places as diverse as Maharashtra, Gujarat and Orissa making whistle-stop tours of the country and jawing with the moneyed men of the private sector. And judging by the piles of moolah and new factories moving into some of these areas, their sales spiel seems to be working — and that too quite well.

But how do you sell a state like West Bengal — a place which has seen a massive flight of capital, industrial decay and which holds little attraction for even the small-time entrepreneur today? A group of industrialists from the country's once-premier industrialised state thinks it has an answer: improve on the product and the rest will fall in place. In a 300-odd page booklet the Bengal Chamber of Commerce & Industry (BCCI) has outlined a marketing plan which it believes will entice investors if not by the droves, then certainly in respectable numbers.

Says BCCI president Mumtaz Ahmed: "It may appear to be a bit unconventional to apply a marketing concept to resolve a critical economic problem but, when conventional approaches fail, one has to find alternative means to deal with problems."

A time-bound plan, the document has zoomed in on several action areas. Among its recommendations for sprucing up the state as a product are:

- Optimise services as far as possible using the already existing infrastructure while at the same time get the private sector to set up additional facilities. Roads, railways, air travel, telecommunications, and power and water supply all need to be strengthened.
- Give a facelift to the Calcutta business district — that is, beautify roads, improve traffic management and ensure better utilisation of pavements.
- Get government and industry to cooperate to guide/develop the unorganised sector and provide self-employment opportunities.
- Launch a massive campaign to create a new, effective work culture and, at the same time, initiate action to change labour laws.
- Draw up investment incentives at least on a par with, if not better than, the best available in other states.
- Evolve an investment security scheme along the lines of the one offered by the government of Kerala.
- Close down sick and currently nonviable units in the state after providing adequate compensation.
- Evolve social security schemes for industry to have a safety net in its process of restructuring/modernising.

In the larger socio-economic context there are some innovative suggestions. These include:



A CLOSED JUTE MILL UNIT IN WEST BENGAL: *The industrial rot has to be stemmed*

- Take up intensive population control measures, starting with one or two districts, and motivate business and non-government organisations to undertake a programme of population control.
- Give a renewed thrust to a much neglected activity — tourism. The promotion of tourism in eastern India and West Bengal in particular should be revitalised by developing Calcutta as a gateway to the eastern region.
- Restructure the West Bengal Industrial Development Corp (WBIDC) into a truly autonomous organisation to enable it to market the state to a set of identified buyers. This aside, a micro-level campaign should be launched to project a new image of West Bengal as an optimum location for industrial investment. The campaign will serve another purpose: it will give a clear message to prospective investors that the state has undergone a positive attitudinal change.

This is not the first time a chamber has talked of the need to market the state effectively. In 1989, J.N. Sapru, the then president of the Indian Chamber of Commerce, had said: "It must be admitted that we have so far failed to effectively market West Bengal to prospective investors. Despite the efforts of the state government and the state promotional agencies, we have failed to make Calcutta more presentable and attractive to outside investors." At that time, the state government had said that an industrial resurgence was round the corner. Yet, a thousand days later the investor famine still continues.

It still may. Especially if you consider the tepid reaction on the new initiatives from minister of industry Bidyut Ganguli as representing the government's attitude. Says he: "I do not like the concept of marketing the state. I believe that within the framework of our objectives we will have to attract investors by offering them better infrastructural facilities and other incentives. We must try to project our comparative advantages in a more vigorous manner."

The ad fraternity is quite kicked by the idea of West Bengal being marketed. "Kudos to the chamber," says Madison Advertising chief Sam Balsara. "It's better late than never." But he's quite critical of Ganguli's reaction. Says he: "The minister is being myopic. India is being marketed, why not West Bengal? It's been left far behind and, if it doesn't wake up now, the gap will increase."

The road from Marx to market is obviously not going to be a smooth one.

□ Debjani Sinha

"WE'VE CHANGED THE RULES"

Most corporate image-building campaigns are on-off affairs with the company zapping the public with high-decibel advertising just before switching on a fund-raising exercise. But the two behemoths of the Tata group — Telco and Tata Steel — obviously believe that's not the way it should be. And they've finetuned the entire image-building business into an art. Once-in-a-while corporate advertising is a strict no-no for the two companies; rather a regular flow of awareness-creating ads is what's OK. 'We also make steel,' (Tata Steel), and the currently-running 'A movement called Telco,' and 'Dissent — the voice of progress' (Tata Steel) are three campaigns which stand out and have gone a long way in raising the prestige of the companies concerned.

Top gun Hindustan Thompson Associates (HTA) has been associated with Tata Steel for the past 52 years and is the agency which worked on the 'Dissent — the voice of progress' campaign. It broke new ground in that it was among those rare advertising efforts to take an illustrative approach to get a social message across. BusinessWorld*'s D.N. Mukerjea spoke to HTA senior vice-president and general manager Sunil Gupta on the campaign.*

■ On how the concept for the campaign came about.

The idea was (Tisco chairman) Russi Mody's. Mody is an ardent believer in dissenting against accepting situations at face value, especially when it means compromising with change, progress and achievement. He has spoken his mind at various fora in the country and has encouraged and fostered this belief within Tata Steel. Tata Steel took a step forward in virtually institutionalising and encapsulating this into a corporate ethic, and in turn would like it to be adopted by the industrial fraternity. Thus the agency was briefed in January 1991.

■ On why this approach was taken.

The primary objective was to be socially responsible and active in the current socio-political environment and not just talk of the company's business achievements. (Remember 'We also make steel').

Secondly, the 'role of dissent' concept was unique in the corporate context and a fresh, innovative expression was called for. It was a serious and perhaps a somewhat unpalatable subject, and we felt that for our audience to internalise it, a light and humorous style would be essential. Enter cartoonist R.K. Laxman, well known for his skill in bringing to public attention crying social issues. This creative combination of serious copy contrasting with cartoons gave the campaign a new dimension.

■ On the kind of work that went into creating the campaign.

It was hard work and refreshingly different. What dictated the creative strategy was the pulse of the relevant audience. To feel that pulse we spoke to people; held informal discussions and had workshops on the subject — personal beliefs, office environment, relationships with bosses and subordinates. We probed minds — we had to become psychoanalysts as well. And of course, the usual burning of midnight oil and food for thought... ultimately there were various creative routes for the client to choose from and two rounds of presentations. We strongly felt that the subject required probing from all possible angles before the final strategy was decided.





GUPTA (INSET): *Breaking new ground*

■ On the kind of response the campaign has drawn.

From the client, a lot of excitement down the office corridors. Many had pasted the ads on their display boards for the benefit of colleagues and visitors.

The campaign has been noticed by the national media and has been written about in business and marketing columns and leading dailies and journals. We received many requests for copies of the ads. A top boss of a leading multinational asked for samples and posters, and a publishing house wanted to display the campaign posters on its premises.

■ On whether this kind of advertising is found elsewhere in the world.

In the sense that this campaign is a corporate one, yes, such campaigns are prevalent. But I would say that these types of themes are not regular elsewhere as yet. In the larger sense (a social-service campaign), there are recent examples such as the ICI ad on water conservation, the Fuji ad on mental health, or the British ad on protection of minority communities etc. In that context the 'role of dissent' campaign doubles up as a social awareness campaign against authoritarianism and sycophancy, promoting the way for change, progress, discovery and creativity.

■ On whether the campaign will spark off a trend.

As usual, Tata Steel has taken the lead — this time by changing the rules of the game in corporate communication. I won't be surprised to see other corporate campaigns with corporate social-ethics as the main message in the future.

BRANDS & SCHEMAS



Consumers make brand decisions with a great deal of prior knowledge about the product, the category, and their own interests, values and beliefs. In the eighties, researchers gave this prior knowledge a label: schema. Schema's origins are in psychology and it basically stands for an organised knowledge structure containing beliefs and emotions about people, products, services and places.

This prior knowledge is more important for brand choice than any information the consumer may acquire at the time of decision-making. Advertisers have started learning and understanding this. It must also be explicitly understood that perceptions are not based on reality alone, but also on how one's schema structures interpret reality.

A US golf ball manufacturer looking to export to Japan made a special package of four balls instead of the normal packing of 12, since that country was a smaller market. The product flopped due to an unrelated schema, basically that four is the number of death in Japan.

In India, one may not be able to successfully market a new premium soap brandnamed Lifebuoy, because of its positive but middle class, popular schema. Attempting to change people's schemas is often costly and mostly ineffective. Marketers have realised that consumers' entrenched beliefs cannot be swayed by advertising of the moment. Nestle's Paloma iced-tea offering fizzled out because in India there exists a schema of drinking tea hot.

Products today can basically be put into three categories: search, experience and credence products. The quality of the first category can be judged during the process of search itself, and a brand choice made. For instance, apples. A close look can help you choose a good one from a bad one. The second category are products whose quality can be judged on consumption. The experience of driving a Maruti 1000 or of viewing a new Aamir Khan film explains this category. Credence products make up the third category. The fact that fluoride in toothpaste prevents tooth decay can never really be verified but you may have to believe the claim depending on the advertising impact.



Of the three categories, experience products constitute a large proportion of the goods in the marketplace. It would be a good strategy if the mission of advertising is to create a brand schema that directs consumption experiences through transformational advertising. With that brand schema, people will interpret the experience to be more positive than it could have been without the help of transformational advertising. This would attempt to influence the perception of the experience. McDonald's of the US moved to transform the experience of going out and eating a greasy burger, into something that was family-oriented, joyous and an all-American experience. Thus it was the advertising that formulated and interpreted people's experiences with McDonald's. Advertising of cars has moved away from being based on features and functions to the pleasures and experiences of driving. Experiential consumption has become the focus of advertising in India too. Five-star hotel chains like Taj, Oberoi and Leela are trying to create brand schemas for their resorts at Goa through pleasant advertising.

Mita Sujan, associate professor of marketing at the US-based Penn State University and an expert on the subject adds another facet to the schema theory. Says he: "There was research done in the US which talked about advertising being a hypothesis that the consumers would go out and confirm." Thus, the role of advertising was suggested to be of providing a brand schema or hypothesis. The consumers would confirm this in a positively biased way because they had no other hypothesis or reference point with which to judge the product.

There are two conclusions that come out of this. First, a marketer should capture consumers' existing schemas to the extent possible and use them positively. Second, through advertising one should create a positive schema for one's brand by associating it with traditional schemas and beliefs, so that when people experience that product, they like it. Consumers see what they expect to see. They taste what they expect to taste. The classical conditioning ad of Marlboro cigarettes has been very effective. It has, over time, generated appeal through association with a cowboy. Consumers now have an affective schema about him and perceive him to be rugged, outgoing and all macho. This constant advertising has led to a powerful brand schema that has got transferred to the product.

As marketers move into the nineties, the methods of classical conditioning are coming back into vogue. In this products are linked to strong images and a transfer is attempted in that way. There is also another subtle shift that has started taking place in advertising in the nineties. There is a strong belief now that schemas are emotionally-laden and it is emotion that is driving consumption. In India, the advertising trend is already moving in that direction with executions of the Titan (gift), VIP Luggage, Philips sound and *Hamara* Bajaj ads. One will have to wait and see if brand schemas move further and become brand emotion schemas and contribute to the development of brand personalities.

□ Jagdeep Kapoor
The author is general manager, Parle Agro.

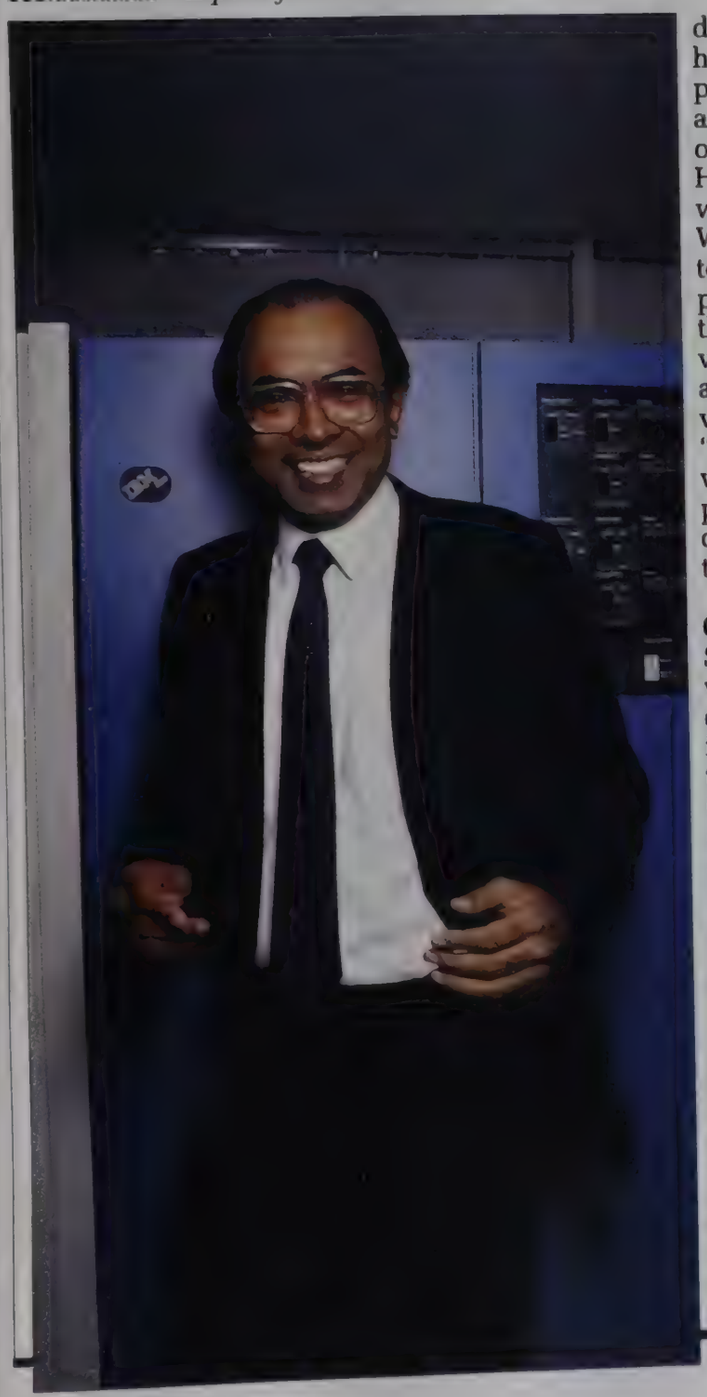
Wipro Systems emerges as a success in its own right.

A POOR COUSIN NO MORE

Up until 1990, Wipro Systems had no identity of its own. The software arm of the Premji group was a corporate entity alright, but it was generally regarded as an undernourished relative of the more prosperous Wipro InfoTech.

And with good reason. While the hardware vendor went from strength to strength throughout the eighties, ending the decade as the industry's second-largest company, its cousin stumbled from one disaster into another, bent under a rapidly growing burden of accumulated losses. Its nadir came in 1988-89, when pre-tax losses exceeded sales. Wipro Systems was clearly on life-support; most industry watchers were convinced that the only realistic remedy was to merge the company into Wipro InfoTech. Some even suggested that Azim Premji's only way out of the mess was to pull the plug and let the company die in coma.

SUBRAMANIAN: *Exports first*



But the cassandras didn't convince Premji; he was determined to persist with his software ambitions, independent of his hardware outfit. His persistence paid off when, the very next year, Wipro Systems was able to record a small pre-tax profit (see charts). Premji then roped in the services of Tata Consultancy Services (TCS) veteran Srinivasan "Mani" Subramanian, whose long exports experience was to prove critical to the company's turnaround.

Changing focus. Subramanian's first task was to change the company's focus. In its initial years, Wipro Systems lost precious time (and money) trying to develop software packages for personal computers. In a market dominated by pirated and/or smuggled software products, the company's packages were doomed to miserable failure.

The only exception was 'InstaPlan,' a project management package it developed for the US market in 1989, and sold through independent distributors in that country. But while InstaPlan did sell in reasonably large numbers (over 40,000 at last count, making it the most successful Indian software product ever), it didn't contribute significantly to the company's bottom-line. Says Subramanian: "We do get some royalties, but I can't say we're making big profits from the product."

Clearly, Wipro Systems needed to get out of the product business. And the alternative was obvious; the big bucks lay in customised software projects. Says Subramanian: "We've started to concentrate on low-risk areas, focusing on turnkey software projects."

But to be able to handle large projects, the company could no longer depend on the PCs that were the mainstay of its development systems. It had to invest in powerful minicomputers and mainframes — no easy task for a company that was only just beginning to recover from serious financial ailments. Says Subramanian: "We've spent Rs 11 crore on hardware over the last two years. It was difficult; but you don't get anywhere in this business if you're not prepared to make long-term investments."

Spending money on machinery, however, solved only half of Wipro Systems' software development problems. In a labour-intensive business, investment on men is what makes or breaks companies. And while it is relatively easy to buy the best equipment, attracting the best talent requires more than just cash.

Distinct disadvantage. The company's long history of red ink was a distinct disadvantage. Admits Subramanian: "Nobody wanted to join an outfit that was making heavy losses." Things began to look up when the turnaround started, and got progressively better as the company moved forward. Wipro Systems now has around 450 employees, as against a mere 130-odd in 1990. Subramanian hopes to recruit another 250 during the course of the current fiscal year. "I measure our success by the number of people we have working for us, not by

revenues or profits, " he says.

Even by the more traditional parameters, Wipro Systems has done pretty well indeed. After wiping out accumulated losses, the company is expected to post a surplus of around Rs 2 crore for the year 1991-92. And, as the accompanying charts make clear, the reversal of the company's fortunes was fuelled by its spectacular exports performance over the last two years. The company doesn't have a very long list of clients abroad — there are around 15 — but it does include heavyweights like General Electric, Northern Telecom, Amdahl, Hewlett-Packard and Alcatel. And its success abroad has prompted Wipro Systems to open four offices in the US and a fifth one in the UK.

With men and machines in place, Subramanian is now ready to take on competition from his previous company, industry-leader TCS. "We can now compete with confidence... we can make a good impression on any overseas customer."

But the real measure of his confidence can be derived from the fact that Wipro Systems is now prepared to take a second stab at what very nearly proved to be its nemesis: software packages. Earlier this year, the company announced the launch of "Compact", a business accounting package, that has already drawn favourable reviews from the first batch of users. Subramanian is now ready to release the Unix and local area network (Lan) versions of the product. Version 2.0 should hit the market sometime in July. Subramanian hopes to launch Compact abroad a few months down the line.

Given the company's history, the flurry of activity around Compact raised more than a few eyebrows. But Subramanian is certain he isn't repeating past mistakes. "When we came out with our first few products, we didn't understand the business, the risks. We're older and wiser now," he says.

Stiff competition. Perhaps. But Compact is up against more competition than any previous Wipro Systems product. In addition to imports (pirated/smuggled or legal), it will also have to contend with TCS' "E-X," Vedika's "Fact" and Peutronics' "Tally". In comparison, Compact's pricing seems rather ambitious; the DOS version comprising five modules comes with a list price of Rs 22,000, while the Lan and Unix versions are expected to start at Rs 50,000.

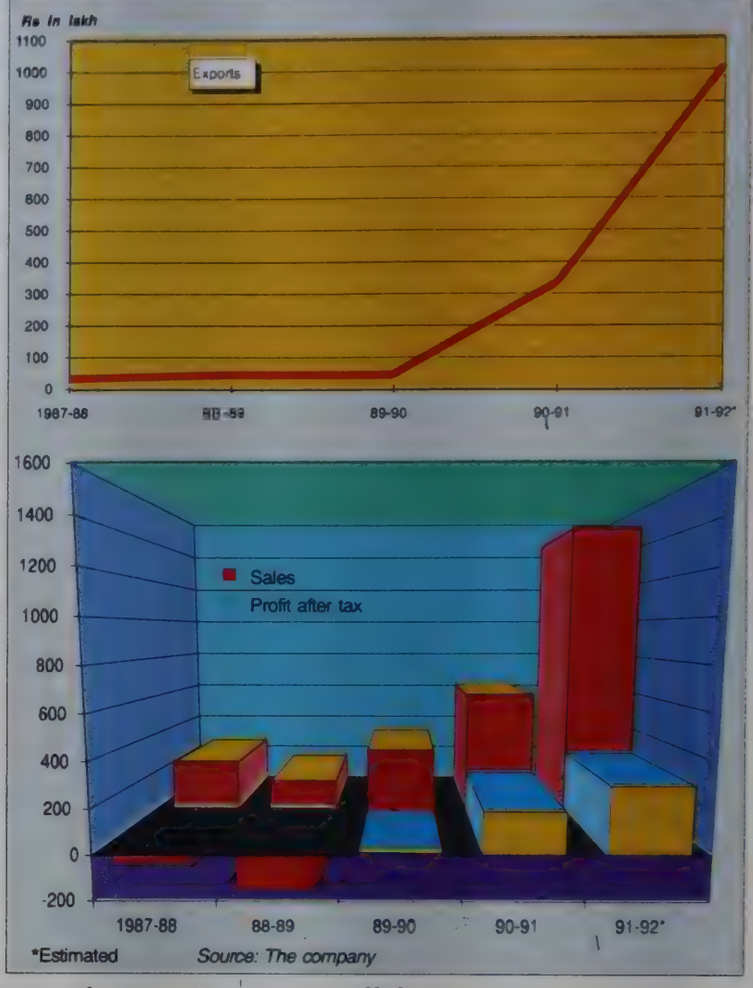
For his part, Subramanian believes the product has what it takes to emerge a leader. "It isn't very flashy, but it meets every conceivable accounting need," he says. He doesn't believe it is too expensive, either. "It isn't targeted at *paanwallahs.*"

If the product lives up to Subramanian's expectations, it should shore up Wipro Systems' revenues from the domestic market, the one area where it has failed to make a major impact. Barring revenues from the various Ashton Tata products (for which it is an official distributor), the company's turnover from its home market was a mere Rs 1.5 crore last year. Although it does handle some projects for public sector corporations and banks, a major push for more domestic projects isn't on the cards. As Subramanian points out: "It doesn't make much economic sense; Indian users typically don't appreciate the value of software, so they aren't prepared to pay us much."

But that doesn't worry Subramanian in the least. His 'exports first' policy has already paid rich dividends; there's no reason why it shouldn't continue to do so. Wipro Systems, the poor cousin, has come into its own.

□ Aparisim Ghosh

EXPORTS LEAD THE TURNAROUND



PREMJI: *Perseverance pays*



Microland's sharp focus on networking pays off.

A NICHE IN TIME...

Microland Electronics isn't the only niche player in the infotech industry. Few of today's companies harbour ambitions of delivering all solutions to all users; it makes best business sense to specialise in a few technological segments, those that offer scope for value-addition.

But what sets Microland apart from the rest is not its niche — networking — but its timing. When the Bangalore-based outfit got going three years ago, the Indian market was only just beginning to come to grips with the concept of stringing computers together in a network. Only a handful of large corporations had local area networks (Lans) in place. Says Pradeep Kar, Microland's youthful chairman and managing director: "To some of our first clients, networking was a novel idea. We had to do a lot of explaining and convincing."

Then, starting in late 1990, the computer market went into a tailspin. As the cash crunch chewed into corporate budgets, companies were on the lookout for ways to maximise the productivity of their existing computer systems. The solution: networking. A Lan quickly became an imperative rather than an alternative. And infotech outfits that could provide networking services were in great demand. Says Kar: "For the industry in general, 1991-92 was a bad year; but those in the networking segment were not really affected by the downtrend."

Bright future. Clearly, Microland was in the right place at the right time. And, the way Kar sees it, things are going to get better still. "The networking segment is sure to grow continuously in the forseeable future," he says. And so, by extension, is Microland.

Not surprisingly, Kar has no intentions of diversifying his interests. "We're committed to the connectivity business. Period."

In layman's terms, what Microland does seems simplicity itself. The company specialises in multivendor networking; which means it links computers of various makes through a network of cables. But this isn't as simple as cable TV. Making computers "talk" to each other requires sophisticated equipment and software (custom-made, more often than not). It also requires the skills of specially trained experts.

If the customer so desires, Microland can provide a total networking package — including hardware (sourced from various manufacturers, depending on the type of computers required), software, networking materials and training.



KAR: *Taking on the heavyweights*

Novell, the world's largest networking corporation, recognises Microland as an authorised training centre for its products.

Microland is an affiliate of the US-based ComputerLand, the giant computer retailer, but Kar sees himself as a value-added reseller rather than a dealer. By his definition, a retailer "caters to the first-time computer user." Microland, on the other hand, focuses on companies that already use computers. "We're aiming at the same market as companies like HCL-HP and Wipro," he says.

For a three-year-old, Microland already has an impressive track record. It posted revenues of Rs 7.9 crore in 1991-92, up from Rs 5.5 crore in the previous year. Its clients include Citibank, ANZ Grindlays, State Bank of India and Industrial Credit & Investment Corp of India (ICICI) — all of which have extensive networks. The company is now in the bidding for virtually every major networking project in the country.

But the competition is hotting up. Kar may have been among the first to identify the enormous potential of his niche, but others have been quick to follow. Today, most major infotech companies have networking services divisions of their own. HCL-HP and Digital Equipment India, in particular, have already made rapid strides in this area. And, in a market that seems more partial to big names every day, Microland may find the going pretty tough. Kar showed foresight in getting to the right place at the right time; staying there will require much more.

But Kar doesn't believe he is at any disadvantage. On the contrary, the fact that Microland does no manufacturing of its own may actually be a unique selling proposition (USP) of sorts. "I'm not forcing clients to buy any particular make of computers; as an independant, I can give them an open choice." Although Microland does have a working deal with Aurelec, it does not oblige clients to patronise the Pondicherry-based hardware vendor. Kar also feels that large companies dabbling in a number of market segments will never be in a position to offer the kind of service a sharply-focused outfit can provide. "And we're positioned to exploit such a situation," he says.

□ Aparisim Ghosh

Index isn't banking exclusively on the ANZ group.

NO CAPTIVE MARKET

At first glance, Index Computing chief Dhruba Chaudhuri seems on an easy wicket. The Bangalore-based 100% export-oriented software unit is a member of the ANZ group, and virtually all its business comes from the multinational banking giant. Not surprisingly, Index is expected to close its books for 1991-92 with revenues in excess of Rs 8 crore, a huge jump from Rs 3.4 crore in the previous year.

But Chaudhuri is quick to brush off any suggestion that he has a cosy, captive market all to himself. "Just because we are an ANZ company doesn't automatically make it obligatory for all group members to source their software needs from us," he says. While Index can probably skip some of the more painful marketing routines, it must still prove that it is capable of delivering quality solutions. Private banks tend to be less than tight-fisted when it comes to spending on information technology; and that means the Indian outfit has to prove its worth in the face of pretty stiff competition. The ANZ group's annual infotech budget runs into millions of dollars; and some of the world's biggest banking solutions companies vie for slices of that cake.

And not all of the competition comes from the outside. As Index group manager (banking services) B. Shanmugam points out: "Often, the toughest challenge is posed by ANZ's own infotech lab in Melbourne."



CHAUDHURI: *Tough challenge*

Prime supplier. Chaudhuri believes the group will some day look to Index as its prime supplier of software. "We should have no trouble finding the necessary talent in this country," he says. But he doesn't intend to limit the company's focus to the ANZ group. "Ultimately, I hope at least 30% of our revenues will come from non-ANZ sources."

The company took its first step in that direction last year, when it launched 'Banc,' a retail banking software package. Although Index has had no experience in selling product software, Banc has already done better than expected. To market the product better, the company has struck deals with two multinational corporations and a few regional distributors; Shanmugam won't divulge the names. "We've found good demand for Banc in overseas markets... we've already sold some packages in Africa, the Gulf region and in southeast Asia."

For the moment, however, the bulk of Index's energies will be focused on the development of customised software solutions. To enhance its abilities on that front, the company will soon add an IBM 3090 mainframe to its range of AS 400s and microcomputers. Since the ANZ group has standardised on IBM, Index needn't spend time and money (as most Indian software houses do) acquiring expertise on a variety of platforms.

Peutronics readies itself for the big push.

TALLY HO!

In software terms, 1991-92 was the year of the business accounting package. Tata Consultancy Services' "E-X," Wipro Systems' "Compact" and Vedika's "FACT 5.0," each made an impression on the domestic market. But they left Bharat Goenka completely unfazed.

Goenka fathered "Tally," the country's first codeless, user-friendly business accounting package in 1988. He has single-handedly nursed the product through nine releases and four major versions. And he knows a thing or two — about the market and the typical Indian user — that the likes of TCS, Wipro and Vedika will take years to learn.

Not surprisingly, then, he doesn't let the arrival of high-powered competition keep him awake at night. On the contrary, Goenka insists that the johnnies-come-lately have actually done him a favour. "Before these big companies launched their products, there was very little awareness of business

accounting packages in this country. Now, thanks to all the publicity surrounding their releases, I find it easier to sell my product." Proof: Peutronics, his Bangalore-based outfit, sold more than 1,800 copies of Tally in 1991-92, as against only 670 in the previous year. "And mind you, mine was the least advertised of the four products," Goenka points out, with an ill-concealed chuckle.

The spurt in sales pushed Peutronics' revenue past Rs 1.7 crore. That doesn't put Goenka among the software industry's majors, but it isn't a bad showing for a single-product company.

And Goenka doesn't see himself moving into other areas anytime soon. "I recognise my strength; just because I'm in the software business, it doesn't mean I'm going to dabble in all kinds of systems."



GOENKA: *Unfazed by competition*

He does, however, have one major weakness: a marketing genius, he isn't. To make up for that, Goenka now plans to pass the task of selling his product to dealers and distributors. "We haven't used any formal marketing techniques all these years; but it's now time to start," he says. Also, he intends to share the burden of developing the next version of Tally with some of his employees.

The upshot of these two measures, he hopes, will be a better product that sells in larger numbers. "We should be able to sell 5,000 packages this year and then shoot up to 15,000 in 1993-94," he says.

Goenka is clearly ready for the big push. And, given the growing acceptance of made-in-India business accounting packages, his timing seems right. As does his pricing; at approximately Rs 15,000, Tally is dearer than E-X, but cheaper than Compact or Fact.

The way he sees it, there's no need for a showdown with the newcomers. "We've only seen the tip of the iceberg; accounting packages have enormous potential. There's enough room for all of us," he says.

Apple heads for Europe, but takes a circuitous route.

FIRST STOP: MAURITIUS

If NIIT is prospecting for business opportunities abroad, can Apple be very far behind? While the market leader in computer training makes ambitious moves along the Pacific Rim, its nearest rival is looking in the opposite direction, at Fortress Europe. But Apple's route-map to the continent takes a rather outlandish detour — via Mauritius, where it hopes to set up a training school and a software outfit.

Why Mauritius? Explains chief executive of Apple's infotech division Ganesh Natarajan: "Mauritius is a preferential treatment area (PTA) and we hope to use it as a springboard to enter the French market." Moreover, he adds: "It is a reasonable local market with really no major (computer training) activity."

For good measure, Apple also hopes to set up centres in East Africa and — look out NIIT! — south east Asia.

At home, it plans to increase its education centres from its present 75 to around 100. And it has tied up with US-based Pace University to offer post-graduate courses to students in India. With this tieup, students can avail of certificate and diploma courses (jointly developed), which will provide credits towards MS programmes in the US. Says Natarajan: "We are trying to tie up with banks to offer soft loans to the students."

The company hopes to expand its earnings from corporate clients as well. It is setting up "centres for business transformation," where clients can do research, training and consultancy in information management and business re-engineering. Says Natarajan: "These business transformation centres aim at getting corporate houses to use infotech as a cornerstone of the management process." The expected benefits: quicker product development to meet customer needs; streamlined manufacturing with high quality and low cost; and better management to meet globalisation needs. The Bombay centre is expected to get going in June.



NATARAJAN: *Eyeing Fortress Europe*

Apple managing director Atul Nishar is clearly on a spending spree. The company's education centres will be spruced up with new i486-based computers, Unix machines, the latest utilities and even IBM mainframe stimulators. To enhance Apple's profile, Nishar has roped in the much sought after services of computer gurus (including Robert Eccles of the Harvard Business School, David Feeney of the Oxford Institute of Information Management and Philip Pyburn of Ernst & Young Centre for Information Technology and Strategy) on its advisory panel.


THE MAN.
THE MACHI
THE TYRE
MRF NY
THE LATEST TYRE FOR THE LATEST BIKES


GRIP
he moment is here -
live and gripping
MRF
TYRES

NO SOFT OPTIONS



Becoming a player in the global market necessitates the creation of a strong and vibrant domestic software industry

With the global market expanding significantly over the last decade, the Indian software industry has been designing policies and procedures to ensure that it can carve out a reasonable portion of that market for itself. This assumption has been based on the premise that India has high-quality manpower which, if properly trained on select hardware platforms, can create a niche that is required in the world software market.

But isn't this premise a very shortsighted one with a potential of only a short-term gain? It would appear so, considering the fact that we have reached a level of only about Rs 300 crore on the export front.

At this level, we are not an important player at all. Many would agree that in order to be a player in the global market, our long-term strategy should revolve around the creation of a strong and vibrant domestic software industry. According to available statistics, of a total market size of Rs 450 crore, the market for domestically-used software is only around Rs 150 crore — which could probably include imported software as well. Hence, the domestic software market is significantly smaller than the export market. In fact, some major houses have an export component as high as 75%.

It is well-known that for sustainable growth in any industry — and that includes software — the rationale should be the reverse. This is especially true for industries in which continuous investments are necessary for innovation and upgradation of skills. It would be pertinent to ask whether there are any clear reasons why we have a lop-sided industry and why have there been no policy initiatives to correct the lopsidedness.

In this connection, there are two fundamental areas of concern:

■ Infotech solutions are not generally perceived in India as important inputs to a successful business. By and large, infotech is used as an afterthought. Domestic software and services form a measly 0.04% of the total gross national product while in many Western countries, the figure is more than 30 times higher. Why do successful packages get developed in the West and not here? It is definitely not because they are smarter or more knowledgeable. It is because they have consistently felt the need to increase productivity. Being in a sheltered, cumbersome and non-competitive economic environment, we have for decades become almost alien to the concept of quality and productivity. Along with the liberalisation of the economy, we must also learn to change the way we think, work and produce. We must understand a very important maxim stated by Michael Porter that the most important prerequisite for a nation to gain competitive advantage is to function as an aggressive and competitive demand-driven environment.

■ Government and financial service sectors have largely treated the software business as an entrepreneurial and risky adventure and not as an important production segment in industrial activity. Neither have banks been very eager to finance software ventures nor have there been policy directives from the government to encourage investments. It is no longer true that the success of software companies depends only on the knowledge of their employees. To succeed in innovation, one must experiment with many ideas of which one or more may succeed. Besides, one must invest in base technologies, quality testing and marketing. All this needs money and lots of it. The success of "E-X," a Tata Consultancy Services (TCS) product, is a good example to show that only this strategy will work.

In short, there is no "value" for software, either as an asset or as a service. In contrast, hardware has a "value". It is something people can touch, feel and weigh just like any production equipment. The rampant piracy of foreign and local software proves the point.

At a recent United Nations Development Programme (UNDP)-sponsored conference on this subject, it was very evident that a wide gulf existed between the perceptions of software vendors and buyers. While the buyers felt that the vendors did not have the requisite skills to deliver the solution, the vendors felt that the buyers were not clear about their needs and were reluctant to pay. These perceptions are by and large true.

But how does one solve this riddle? This riddle is no different than other developmental problems facing the country, be it water supply, health care or oil. Irrespective of whether we continue our quest of becoming a part of the process of globalisation, information technology is and will be an important component of our lives. If this is so, there is no option but to look at the problem with a missionary zeal. It is not something that will be solved by the government or by the Computer Society of India (CSI), the Manufacturers' Association of Information Technology (MAIT), Nasscom or the users. The issue has to be focused on collectively at best as a national technology mission.

□ Pravin Gandhi

The author is joint managing director of Hinditron Computers.

A DECISION-MAKING TOOL

SUGATA MITRA



Expert systems are generally considered to be part of a rather ill-defined subject called artificial intelligence. This categorisation has resulted in considerably fewer applications of expert systems than there should have been. Artificial intelligence (if such a subject does exist!) has been confined to the academic domain, its use restricted to laboratories. As a result, industrial or other potential users of expert systems have shied away from this subject thinking that these applications would be experimental. However, expert systems are, in fact, powerful data-processing tools and are not experimental at all. To understand their role in modern computer applications, let us look at how and why they evolved.

Computing as we know it today falls into three broad categories — number crunching, media and process control. Number crunching comprises most of all applications today. This includes numerical calculations, spreadsheets, database systems and text processing. Media covers the computer's ability to handle graphics and sound, which includes photographs, images, drawings, speech and music. The last category, process control, is derived from the computer's ability to react to external electrical signals. This enables the control of machinery, automated measurements, monitoring etc.

The outputs from the above three kinds of computing fall into four types. The most prevalent computer output is printed paper containing information in various forms, for example, graphs, charts, tables and text. It is this output that most of us use. In addition, today's computers also produce pictures, voice and music which are used for a variety of audio-visual purposes. Finally the fourth type of output are electrical signals with which computers can control other machinery. Usually, we receive such outputs from a computer, examine them and make decisions based on them.

Given this scenario, it is only logical that the next step in automation is to enable a computer to make some of the simple decisions without user intervention. When it does so, it behaves like a human expert who analyses data, arrives at a conclusion, takes some action, or gives some advice. This is called an expert system.

Logical extension. To understand how expert systems are a logical extension of traditional data processing, let us look at an imaginary factory application. In the days before computers, a machine-room operator would look at dials and gauges, take periodic readings, and based on these operate switches, open or close valves etc. The readings on his instruments would be compiled and filed away. Enter traditional data processing and the situation changes slightly. The operator continues to do his job, but the readings taken from his instruments are now stored in a computer. This enables statistical analysis of the data. The operator's boss has a better quality of information available and can perhaps predict patterns of maintenance or production-related problems.



In the second phase of computerisation, our imaginary factory management decides to connect the dials and gauges directly to the computer. The operator no longer needs to take periodic readings and can attend to a larger group of machines.

In the third phase, the computer is also connected to the switches and valves, operated manually earlier. Now, in order to take action, the operator looks at the control data on the computer and operates the various switches directly from the computer console. He now has a cabin and does not usually need to go into the machine area.

It is at this point that expert systems provide the next stage of automation. Before the operator retires, a "knowledge engineer" meets him and lists out all the rules that the operator uses to decide what to operate and when. The rules are encoded into an expert system. Ultimately, when the operator and the knowledge engineer are satisfied that the operator's experience is adequately represented by the system, they allow the system to take over the machine-room operation. The computer now makes all the necessary measurements, takes the necessary decisions and operates the necessary machinery. The operator can look after many machine rooms simultaneously from his cabin.

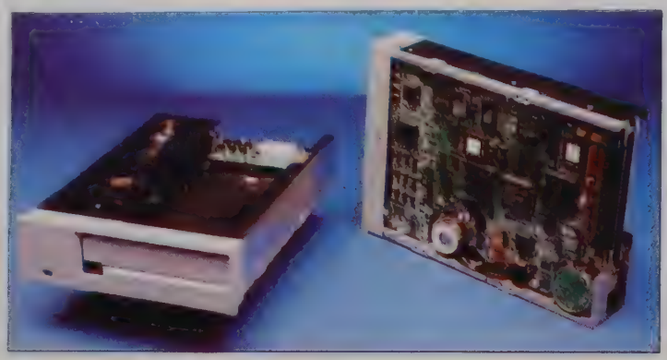
This example covers only one of the thousands of situations in which expert systems are being used all over the world. Whenever, in whichever industry, routine decisions need to be taken based on data, expert systems can function faultlessly and uniformly across all branches.

From the manufacturing industry to banks, from guided missiles to universities, from hospitals to homes, expert systems are changing our lives, forever.

• *The author is a principal scientist, computer applications research division, NIIT.*

LAUNCHES

■ TVS Electronics (**TVSE**) has launched a series of high-capacity cartridge tape drives manufactured by US-based Wangtek Corp, a world leader in this business. TVSE is also introducing an enhanced modem, the



A CARTRIDGE TAPE DRIVE: *High capacity*

2400 EC+, which will offer a throughput of a 9,600 bauds per second (bps) modem at the price of a 2,400 bps modem. Under the tieup between the two companies, TVSE will distribute the entire range of Wangtek products and will enhance the product line with indigenously developed software solutions.

Contact: 44 Miller Road, Bangalore 560 052. Tel: 262526. Fax: 268545.

■ **Global Tele-Systems,** which recently concluded a tieup with billion dollar Japanese firm Murata, has announced the launch of its Global Murata 700 M fax machine. Just introduced in world markets, this machine will make its debut in India at a price of Rs 29,800 (local taxes extra). The price includes a 12-month warranty.

The product, according to Global Tele-Systems director (marketing) Fritz D'Silva, is a state-of-the-art system with a whole host of built-in features.

Contact: Global Tele-Systems, Janmabhoomi Chambers, 29, Walchand Hirachand Marg, Bombay 400 038. Tel: 2613010. Fax: 2610538

■ **India Tele-Comp** has launched Textel, a system which works efficiently on telephone lines of remote Indian cities where normal communication is almost impossible. A messaging terminal that operates on PSTN (telephone) lines, Textel sends and receives messages automatically at speeds of up to 1,200 bauds — nearly 20 times faster than a telex and five times faster than the same message spoken over a telephone.

An in-built error correction protocol ensures data integrity enabling error-free transmission. With a battery-protected memory, Textel is able to retain data in case of a power failure.

Contact: India Tele-Comp, 6 D Atmaram House, 1 Tolstoy Marg, New Delhi 110 001. Tel: 3311694/1698. Fax 91-11-3311695.

■ Delhi-based **MultiTech Computers** has launched MultiModem224E that gives 2,400, 1,200 and 300 bps operation, auto-dial and auto-answer, AT command compatibility and MNP error correction. The product supports both CCITT and Bell Standards, and is designed to run both asynchronous and synchronous over dial-up and two-wire leased lines. It also provides help menus, a memory for telephone numbers and option configurations.

Contact: MultiTech Computers, C-71 Anand Niketan, New Delhi 110 021. Tel: 600286.

HAPPENINGS

■ **C.R. Mitra,** education adviser at NIIT, has been elected member of Unesco's Institute for Educational Planning (IEP). Mitra was director of the Birla Institute of Technology and Science (Bits), Pilani, for 20 years before his retirement in 1989 and is currently writing books on education.

■ **Oracle Corp** of the US and National Informatics Centre (**NIC**) recently signed an internal value-added reseller (VAR) agreement whereby NIC has become a VAR of Oracle. NIC will henceforth use Oracle RDBMS for developing all their applications in various central and state government departments and for use over Nicnet.

■ **Cosoft,** the first Indian company to have developed a full-fledged RDBMS-Integra-SQL, has appointed Datapro as its national dealer. Integra-SQL has been marketed in the US by SCO and Coromandel Industries, an associate company of Cosoft. Integra-SQL has over 9,000 installations in the US and over 700 in India.

It was a stunning blow. **Apple Computer** has suffered a defeat in its landmark copyright infringement suit against competitors Microsoft and Hewlett-Packard (HP) with the dismissal of most of its claims by a San Francisco court. Apple had filed a suit alleging that Microsoft's Windows and HP's NewWave programs infringed the copyrighted computer screen displays of its popular Macintosh personal computer (PC).

The suit had cast a cloud over the runaway success of Microsoft's Windows, which provides easy-to-use features similar to the Macintosh for IBM-compatible PCs. Apple had expected to claim damages of $5.5 billion. The judge's decision comes as a major blow to Apple chief executive John Sculley. Microsoft boss Bill Gates, on the other hand, is now infotech's single most powerful individual.

Manufacturers racing to market special electronic chips that will put inexpensive video communication on the desktop have now found a new giant rival on their turf — American Telephone & Telegraph Co (**AT&T**).

The company's microelectronics unit recently jumped out in front of the pack by announcing a three-chip set, that will sell for $400 to manufacturers, which can be incorporated into their PCs or workstations. AT&T says it will begin shipping its chip set by July, with full production by the end of the year. That should give the top brass at Intel and Motorola something to think about.

Philips, the Dutch electronics company, says it will cut one-third of the 1,800 jobs in its loss-making PC operation — the company's last remaining computer activity — and halt direct sales of PCs in the US. The company will stop selling PCs in the US through traditional outlets and channels, and will instead seek to produce computers for other US manufacturers who will then sell the equipment under their own names.

TIEUPS ON OFFER

Belgian company Vynckier has designed a range of circuit breakers and manual motor starters called Motax. These thermal-magnetic circuit breakers with adjustable thermal motor protection are used for the switching of one- or three-phase motors, switching of DC motors, protection of motors against overload and protection in the event of short circuits. They can also be used as main switch disconnectors or emergency stop devices.

This modular device, with DIN-rail mounting, enables auxillary devices to be simply and easily built in or built on. It is designed for currents up to 25 amperes and subdivided into 13 different thermal adjustment ranges.

Contact: Vynckier nv, Nieuwevaart 51, B-9000 Ghent, Belgium. Tel: (91) 255741. Fax: (91) 241209.

Austrian company Frankenburger Machinen-und Apparatebau GesmbH (Framag) has developed vibration-absorbing foundation systems to reduce and minimise machine vibrations. The concept is based on the dynamic law that vibrations always flow off in the direction of the most rigid part. By means of the spring constants, the mass and the frequency, the foundation is so designed that it becomes the most rigid part of the machine. The company also manufactures machine parts made of hydraulic composite material.

Conventional machine bases made of cast iron or welded-steel constructions are replaced by the Framag-Hydropol composite material, so that the machines can be set up without foundations and the good absorption properties of the hydraulic concrete can be absorbed. The world's first high-performance circular saw in Hydropol design was developed by Framag together with an Austrian engineering company.

Contact: Frankenburger Machinen-und Apparatebau GesmbH, Neukirchnerstrasse 9, A-4873 Frankenburg, Austria. Fax: 07683/7290.

Taiwan-based Tung Pang Industrial Co has developed Saltometer, the latest in personal health care designed to measure and help control the intake of sodium (salt). As has been proven by medical researchers, the amount of sodium ingested is important to one's health. Too much salt can be dangerous, especially to individuals with high blood pressure.



Saltometer is designed to indicate the sodium (salt) level of drinks and foods — both semi-liquid and liquid. This information will be vital for health-conscious individuals and those on sodium-restricted diets. The Saltometer can be operated very easily: simply place the sensor tip into food or drink and press the on switch; the sodium level is displayed with an easy-to-understand LED readout. The weight of the instrument, batteries included, is 30 grammes.

Contact: Tung Pang Industrial Co, 107, Chin Lung Street, Wen Shan, Taipei, Taiwan. Tel: (02) 9345876, 9353411. Fax: 886-2-9323175.

Spinning yarn quickly and efficiently has been an age-old challenge of the textile industry. Now the problem has been solved using a new type of air jet guide, known as fibreguide. The device has recently won its British manufacturer, Fibreguide Ltd, a Queen's award for technological achievement. Under the latest technology, filament is fed into draw-texturing machines at a plant which processes about 200 tonnes of yarn a week. Air jets of a special design interlace the fibres in a way that facilitates integration with a range of high speed processes.

Contact: Fibreguide Ltd, Maple Court, Davenport Street, Macclesfield, Cheshire, England SK10 1JE. Tel: 0625 427561. Fax: 0625 511216.

British company City Technology has developed a carbon monoxide sensor called A3ME/F CiTiceL, the main features of which are high accuracy, low cost and excellent in-service stability. The product is an electrochemical carbon monoxide gas sensor for flue-gas emissions, which is said to solve the problem of cross-sensitivity to hydrogen, also present in flue gases, which compromises the accuracy of conventional devices. The company has overcome the problem by incorporating an extra electrode in the sensor. All the carbon monoxide and some of the hydrogen acts conventionally on the standard electrode, but the extra electrode measures only the hydrogen content. The true carbon monoxide concentration is then calculated by using the signals from both electrodes.

Contact: City Technology, Walton Road, Portsmouth, Hampshire, England PO6 1SZ. Tel: 705 325511. Fax: 705 386611.

PACKAGES FROM NEWSPRINT



Moulded Fibre Technology of the US has come up with a process for recycled newsprint that threatens to displace plastics from their hitherto unchallenged position as packaging material. The company has refined a century-old process called repulping that had been used for making things like egg cartons. In the process, newsprint is first turned into a papier mache slush and then vacuum-moulded and dried. The company uses interlocking moulds in a single production to turn out everything from baking trays to cosmetic cases. This approach has brought down prices to rock-bottom levels. Already, several computer manufacturers have started shipping their systems in these boxes. Many others are seriously viewing these packages as a means of replacing conventional plastics.

NUCLEAR WELDING TECHNIQUE

Researchers at California in the US have adapted an ultra-precise welding system used in manufacturing nuclear weapons to the mass production of tractors and other heavy agricultural equipment. In the process, a fibre optic cable monitors the light emitted during a weld. As the amount is an indication of how much metal has melted, a computerised welder can use the data to adjust his welding current.

Holding the light level steady ensures a very uniform weld that leads to higher quality and reduces the need for testing costly parts later. For civilian work, engineers have modified their technology to use common carbon steel instead of high-grade stainless steel.

NATURE-FRIENDLY MATCHES

Bryant & May, one of the UK's leading match manufacturers, has abandoned the 150-year tradition of safety match-making by replacing chemicals that are known to be damaging the environment. Sulphur, the chief culprit in the creation of acid rain, has been a traditional part of the head of a match. Without it, the match flame would not burn bright, but fizz like a sparkler. The bulbous match head also contains toxic zinc oxide that is used to stabilise the glue binding the head materials together. It also ensures good performance in high humidity areas like kitchens and controls the smell of another compound in the mix, phosphorous sesquisulphide.

After researching and testing many different formulations, Bryant & May has replaced the sulphur with ferrophosphorous in safety matches. Efforts are still under way to find a replacement for phosphorous sesquisulphide used in strike-anywhere-matches. It has been found possible to replace zinc oxide with limestone and to eliminate the use of potassium dichromate that has been traditionally used in safety matches to make them easier to strike. Glue, which came from animal hides, has now given way to a vegetable starch and scrap gelatine waste from pharmaceutical companies that produce capsules. Felling trees, however, is no problem, since the wood used is aspen, a prolific form of poplar that grows in Canada and other countries. These trees regenerate themselves naturally by growing suckers from the existing root system.

CDs WITH MORE MUSIC

Engineers in northern Ireland have succeeded in cramming yet more music signals onto a compact disc. A system has been launched to compress bits of information representing the music signals from 16 to four. And, recently, a 12 to one compression has been demonstrated.

The audio-processing technology company has developed a chip that can be built into different systems to suit the varying requirements of sound engineers, record companies and broadcasters to enable them to transmit music signals quickly and at the same time retain the excellent sound reproduction. Also, by being able to compress the amount of digital information to be sent by 75%, the transmission rate is decreased by a factor of four. This has implications in terms of savings to be made when buying expensive satellite time. Another advantage of the new technique is that with four times the repertoire of music now stored on a single disc or, alternatively, the disc itself reduced to a quarter the size, there are substantial savings in storage space.

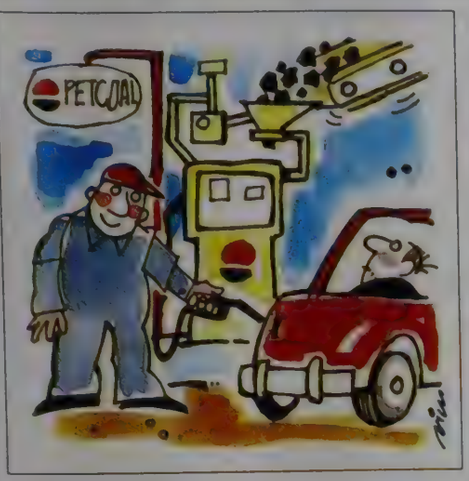


SUPERPLASTICS

Hoechst Celanese Corp has come up with a polymer that combines the best of both kinds of plastics — injection-moulded plastics and thermoplastics. The new resin, which combines the ruggedness of thermoplastics and the lower prices of the other, can handle pressures up to 32,000 pounds per square inch and temperatures up to 619°F, just a shade below the best similar resins. Yet, unlike thermoplastic parts that must be machined from a solid block, these can be injection-moulded or extruded into complex shapes in high volumes.

It is estimated that the cost of making small electrical insulators using the new polymer would be half the cost of a thermoplastic part. So far, the polymer has been used in aerospace and oilfield applications, such as in safety valves atop oil rigs.

CONVERTING COAL INTO PETROL



Ken Suslick and his team at the University of Illinois at Urbana-Champagne are using ultrasound to produce amorphous iron powder, one of the best catalysts yet for a chemical reaction which could turn coal into petrol. The amorphous iron powder created in this way consists of very small particles, none of them larger than 10 nanometers across. This powder is a good catalyst mainly because the very small particles have a very large total surface area. The American chemist has focused his attention on one particular reaction, known as the Fischer-Tropsch reaction, which needs iron to work. South Africa is believed to have developed this technology in order to defeat the oil embargo imposed by the rest of the world. In the process carbon monoxide and hydrogen combine over the iron catalyst to produce a mixture of hydrocarbons which can be processed into petrol.

Suslick found that at 200°C, a temperature lower than normal for Fischer-Tropsch chemistry, his amorphous iron could convert carbon monoxide and hydrogen into hydrocarbons 10 times more effectively than polycrystalline iron powders usually used. He also found that the amorphous iron was 30 times more active than crystalline iron during the process of converting cyclohexane into benzene and methane, another industrially important pair of reactions.

NOVEL SOLAR PANEL

Michael Gratzel and colleagues in the department of chemistry at the Swiss Federal Institute of Technology have fitted their windows with a new type of transparent solar panel rather than glass. The sandwich arrangement of the panel mimics the way plants make their food by gathering energy from light through photosynthesis.

The beauty of the panels is that they are made entirely from common materials except for the specialist conducting glass. Light penetrating the upper glass layer diffuses through an electrolyte fluid based on iodine to reach a layer of dye where the photon knocks out an electron into a bottom layer of semiconductor film of titanium dioxide; this layer captures the charge and in turn transfers the electron to a conducting film of tin oxide that coats the inner surfaces of the glass. The tin oxide conducts the electrons away to do work as an electric current. The circuit is completed by an upper layer of tin oxide which conducts the electrons back to the dye through the electrolyte.

The key to the system, according to the researchers, is the microscopic roughness of the thin layer of titanium oxide ceramic which gives the layer a very high surface area. When the microscopic contours and crevices in the film are taken into account, the area is thousand times larger than the actual surface visible to the eye. This makes it far more efficient at gathering the electrical charge streaming through from the dye above. The chemists claim that the panels convert around 7.1-7.9% of the sunlight that falls on them into useful electrical energy — roughly comparable to silicon cells — producing around 150 watts per square metre panel. The panels are five to 10 times cheaper than today's silicon-based solar panels, but are just as efficient.

SPEECH SCRAMBLER

A new method of scrambling radio and telephone conversations, invented at the Bristol University's research centre in southwest England, is now being used by the British police.

The basic scrambler device will work on private mobile radios,cellular telephones and wire-based telephone systems. It enables users to be certain that only people on their network with the right equipment and cryptographic key to the software can successfully decode messages. Besides, the scrambled calls cannot be overheard either deliberately or by accident.

The Bristol scrambler, at the push of a button, activates a digital signal processor as a speech scrambler by providing powerful and flexible speech processing. Thus the scrambler inherently provides enhanced voice quality and security. It is suitable for use in both static and mobile radio communication systems and can be fitted to the new apparatus or retrofitted to existing hand-held radios and vehicle radios.

ECG ON A WRISTWATCH

An inventor from California has developed a device to give early warning of a heart attack, and has built it into an ordinary electronic wristwatch. Kenneth Matsumura, director of science and technology development for the Alin Foundation, devised the wristwatch which contains a tiny electrocardiograph that monitors the electrical signals from the heart.



Electrical signals from the heart normally undergo changes when an artery that feeds oxygen to a heart muscle becomes clogged. This happens at least an hour before the heart fails. Electrodes in the watch pick up such signals and a processor chip analyses them for changes. More sophisticated electrocardiographs analyse the whole signal, but the heart watch looks for changes in six particular segments of the signal.

□ K.A. Neelakantan

The author is a Bombay-based freelance technical journalist.

ENTERTAINMENT EXPENDITURE

H.P. RANINA



The confusion over the exact meaning of the word 'entertainment' has given rise to numerous litigations over deductibility of entertainment expenditure. 'Entertainment' is not defined under the income tax law and, therefore, has to be understood by dictionary definitions.

The Bombay, Gujarat, Rajasthan, Andhra Pradesh and Karnataka high courts have held that to constitute entertainment, there must be an element of pleasure or amusement involved. Mere lunch or dinner hosted by an executive where normal business matters are discussed and cordial relationships established cannot be treated as an activity in the nature of entertainment.

A case in point is the *CIT vs Kirloskar Oil Engines* (157 *ITR* 762) case. Here, the assessee-company had arranged a seminar for its foreign and local distributors with a view to boost sales, particularly in the foreign market. Since the assessee-company's guest house was small, accommodation was arranged in hotels and clubs, the expenditure incurred on which, the assessee claimed, be allowed as business expenditure. On a reference, the Bombay high court held that as the seminar was arranged in connection with business, the expenditure incurred was also in connection with business and as much deduction was allowable.

The Bombay high court took a more pronounced view in the *CIT vs Shah Nanji Naqsi* (116 *ITR* 292) case. Here, the department representative relied on the decisions of the Kerala high court (*CIT vs Veeriah Reddiar* 106 *ITR* 610) and the Allahabad high court (*Brij Mohan Dass & Sons vs CIT* 104 *ITR* 541). In both these cases, it was held that entertainment expenditure will include all expenditure incurred in connection with refreshments to customers.

However, the Bombay high court rejected the views of the Kerala and Allahabad high courts as being totally unrealistic and without regard to the exigencies of modern business. It preferred the view taken by the Gujarat high court in the *Patel Bros & Co vs CIT* case. The court categorically held that any expenditure incurred on refreshments to customers was an essential part of business and did not partake the nature of hospitality or entertainment.

In the *Patel Bros & Co* case, the company provided meals to its workers and those of its associate firm, besides farmers who brought goods like cotton, groundnuts, rice, pulses and the like. The assessee claimed deduction on such expenses on the ground that it was customary and, out of commercial expediency, it was necessary to its farmer customers. The court then referred to the distinction between entertainment and business entertainment as highlighted in the English fiscal statute. Expenses related to any hospitality provided in connection with trade or business carried on by the assessee were allowed as deduction in England.

Referring to the Allahabad high court's decision in *Brij Mohan Dass'* case, the court held that that decision was an over-simplification of the problem and that the judge had proceeded on the simple meaning of the term 'entertainment' without considering all the aspects in detail.

Subsequently, the Gujarat high court laid down the following broad tests to help understand and determine the nature of entertainment expenses:

- If the provision of food, drinks, or any amusement to a client is on an extravagant scale, or is of wasteful nature, it is entertainment *per se*.
- If the provision to the client is in the nature of a bare necessity, or by way of ordinary courtesy, or an express or inclined term of contract or employment spelt out from a long-standing business practice or custom, it will not amount to entertainment.
- If the provision is in a liberal and friendly way, it may amount to entertainment depending on the place, item and cost of such provision.
- The provision of amusement to a client by way of hospitality or otherwise will always be entertainment.

On the basis of these tests, the high court held that the expenses incurred in providing meals to the farmers cannot be treated as entertainment because, having regard to the nature and magnitude of the business, it was necessary for the assessee to provide meals to customers who had come all the way to Ahmedabad for business dealings. The court held that the expenditure was deductible under s.37 of the Income Tax Act (ITA).

In conclusion, it must be pointed out that for the purpose of this sub-section, entertainment expenditure includes:

- The amount of any allowance in the nature of entertainment allowance paid by an assessee to any employee or others;
- The amount of any expenditure in the nature of entertainment expenditure (not being expenditure incurred out of an allowance of the nature referred to in clause (i)) incurred for the purposes of business or profession of an assessee by any employee or other person;
- Expenditure on provision of hospitality in any manner whatsoever and whether such provision is made by reason of any express or implied contract or custom, but does not include expenses on food and beverages provided to employees in their place of work.

Normal expenses related to hospitality, incurred in the course of business, cannot be taxed



• *The author is a Bombay-based advocate.*

Radha Krishna Exports has a new gambit.

FILTER INFILTRATION

Has the smoking community ever wondered what goes into a filter? No, it's not any old stuffing; cigarettes manufactured in India have filters made of acetate, viscose or paper.

There's a new player in the game now. Radha Krishna Exports, a Calcutta-based hire purchase and leasing company (business done in 1991-92: Rs 7 crore), has diversified into the manufacture of filter rods. These are cut and placed at the ends of filter-tipped cigarettes. The company has put up a Rs 5.2 crore plant at the Falta export processing zone to manufacture these acetate filter rods.

Radha Krishna managing director Hemant Kanoria says that while smoking is being banned in the developed countries, there seems to be a proportional growth in the developing countries. For example, there are 265 small cigarette manufacturers in China and there is a demand of nearly 1,000 million filter rods. The figure is over 400 million rods per month in Thailand and Malaysia. This demand is at present partly met by US and Japanese companies. And Kanoria aims to tap this market.

Kanoria has set up his unit by importing plant and machinery from Korbe of Germany. To begin with, he will put up only one line which, at full capacity, is expected to produce 600 million filter rods.

"This is a very small amount compared with Third World needs," says Kanoria whose strategy is to tap three or four countries simultaneously. Besides, there is considerable opportunity in Bangladesh and Nepal where Kanoria has a freight advantage over other suppliers. The Chinese market will be tackled through agents in Hongkong. "But no tieups," clarifies Kanoria.



KANORIA: *Eyeing foreign markets*

Filter rods, especially the acetate variety, are in demand in the domestic market too. Today, such rods are used only for costlier brands. But Kanoria expects the demand for acetate rods to pick up as cigarette manufacturers make more upmarket forays.

What Kanoria also has going for him is the fact that acetate, earlier on the banned list, can now be imported. Kanoria's plant annually requires 300 tonnes of acetate.

But how will Kanoria tackle the export market? "We have studied the situation and we know we'll face difficulties, as we are infiltrating into multinational territory. But with low overheads, our price will be quite competitive," observes Kanoria.

That is as may be. But is it at all healthy to participate in the manufacture of the cancer stick? Says Kanoria: "The basic thing is to make cigarette smoking less harmful. I intend to do the job of a doctor." Some Hippocrates he!

Happy times are here again, as Mecon's...

DARK DAYS ARE OVER

Public sector unit (PSU) Metallurgical & Engineering Consultants (India), better known as Mecon, has finally managed to come out of the woods. Thanks to incumbent chairman & managing director Saibal Gupta who has, after taking charge on 1 April 1991, successfully arrested the company's bottomline from declining any further.

Speaking after a year in charge, Gupta recalls that the company, despite its excellent reputation both within the country and overseas, saw its profit slip from Rs 7.5 crore to Rs 67 lakh in the past five years.

He cites various reasons for the decline. Relationships between the top and middle management were

not very smooth, customers were not handled properly and vendor treatment left a lot to be desired. Even collection of dues took more than 170 days. Among the things Gupta did after taking over was to close the gap between potential and performance. A few changes were made in the work ethos — total quality management and various management measures like job enrichment and redeployment were introduced, and job fragmentation was discouraged.

"A productive work atmosphere was back. Our wage bill has come down to Rs 40 crore from Rs 42 crore, for a workforce of 3,880. Overtime has been done away with. Mecon has to stand on its own feet and not with subsidies. Subsidy means death," says Gupta. The turnover for the present year (1991-92) is Rs 110 crore and profits have zoomed to Rs 10 crore.

Furthermore, Gupta has signed a memorandum of understanding (MoU) with the Union government which projects a turnover of Rs 120 crore with a profit of Rs 9 crore for 1992-93. He hopes to meet this target, for Mecon has Rs 320 crore worth of orders in hand. The company has been asked to undertake feasibility studies for four 1 million-tonne-capacity steel plants in Daitari, Orissa, where Gupta's clients are Orissa Sponge and Powmex.

What about the international arena? Gupta maintains that Mecon's first object is to achieve the ISO-9000 accreditation before competing in the world market. "Unless we can match multinationals on similar terms, we have no hope for survival," explains Gupta.

Gupta has also opened an office in Holland in association with Dutch company Hoogoven to bid jointly for projects. Besides, he is trying to rope in Bronx and Durmech of the UK and Itam of Italy to bid for projects in Germany and other countries.

But as with all (PSUs), Gupta faces a financial squeeze for which he has managed to convince the Union government to offload 40% of the company's authorised capital of Rs 2 crore to its employees. The proposal, though approved by the government, is awaiting the final nod from the board. Shares of Rs 100 each will be given to employees at a premium of Rs 550.

The reason: to create a belief among the workers that they are not mere employees of Mecon. The sense of belonging might rub off on the work ethos too.

GUPTA: *A successful return*



The red blobs on UCO Bank's balance-sheet are fast fading.

A HEALTHY REVIVAL

In a plush south Delhi office, the directors of an ailing state-owned bank met last fortnight for a quick advance peek at the year's performance. Minutes after UCO Bank chairman and managing director K. Margabanthu began speaking, the board members settled back in relief: the embarrassing blobs of red on the balance sheet were finally set to be erased. Unbelievably, UCO Bank, said Margabanthu, would notch up a nominal profit of Rs 5 crore in 1991-92.

To be sure, that excludes adjustments for bad debts. The bank has advances of Rs 400 crore stuck with borrowers — a sum that is above the industry average by the chairman's admission. And the bank's accounts are just being finalised. Yet, Margabanthu insists that his bank is on the road to recovery.

If that's true, it is a remarkable performance. After profits disappointingly nudged Rs 5 crore in the mid-eighties, UCO plummeted into the red by Rs 54.59 crore in 1989-90 and Rs 42.69 crore the following year. Which meant, news of the recovery saw many raised eyebrows in banking circles.

UCO officials predict a fat profit of Rs 150 crore in 1992-93 to wipe out the accumulated losses of Rs 98 crore. From 1993-94, the profits will be used to adjust bad debts. Says Margabanthu: "The task of turning the bank around will finally be accomplished by 1997."

To achieve that, Margabanthu, who kicked off a two-year term at UCO last September, slashed borrowings; from a peak of Rs 500 crore daily, the bank's borrowings are now negligible. Cushioning that is a healthy 10% growth in deposits, up by Rs 600 crore in 1991-92. Plus, the bank zeroed in on non-fund-based (fee, rather than interest-based) business. With intensive area-based marketing



MARGABANTHU: *Helping build profits*

(focusing on diamond exports in Surat, for instance) and the launch of instant clearances for exporters, the bank's forex turnover jumped by Rs 300 crore — a 37.5% hike over the March 1991 level — even as earnings from the forex deals rose to Rs 15 crore.

Crucially, steps were also taken to recover bad debts by introducing *lok adalats* offering partial waivers and compromise settlements. The ploy seemed to be working: after the first *adalat*, the bank's coffers were richer by Rs 2 crore.

Apart from refurbishing the balance-sheet, UCO is also trying to cut inefficiency. More than 100 employees face action for mismanagement. With the bank's staff having swollen to 35,000, recruitment has been temporarily banned. Instead, 50 new branches are in the offing and senior executives hope to tap internal talent with frequent training programmes and a 'Chairman's Club' thinktank.

Certainly, the efforts seemed to be paying off: after a three-month fixed interest infusion of Rs 150 crore from the State Bank of India (SBI) ended this January, UCO stayed afloat on its own funds. Help, meanwhile, may come from the Reserve Bank of India (RBI) which is reviewing a request from the bank to raise the conversion limit for low-yielding securities from Rs 200 crore to Rs 300 crore. RBI may also offer a lifeline in the form of a Rs 500 crore soft loan, if required.

But that isn't enough to silence sceptics. Comments a banking expert: "Not even SBI is slated to make profits of more than Rs 100 crore in 1992-93." Says an executive in a financial company: "UCO appears to be recovering. But let's wait for the balance-sheet."

Even that grudging acceptance should be good news for Margabanthu. Says he: "When I took over, I inherited a sick baby." Today, even if it is on strong medication, it seems a shade healthier.

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LINTAS IIMA P 214 1218

ADDING DEPTH TO DEBT

The deluge at Dalal Street continues. As the various stock indices grope for the stratosphere and with investor confidence at insane highs, companies continue to line up for equity pickings. The recent move to allow free pricing of fresh capital offerings will only add further fuel to the new issue fire.

But if equity is savvy, is debt totally out of fashion? Hardly. For despite the equity mania, many companies still have place for debt issues in their financing plans. For them, at least, debt continues to be a capital idea. The reasons are many. A very simple one is that some companies prefer to maintain a low equity base till their project gets operational. Others are not confident of attracting enough investment through the more risky equity route. Whatever be the reason, the fact remains that the amount of debt and quasi-debt offerings has hardly tapered off.

So what's new? After all, the highly-leveraged Indian corporate sector has never been averse to debt. But experimentation was never seriously tried out in the past. However, with interest rates being freed and more flexibility being given in deciding the period of debentures, companies are now trying the innovation tack to attract investors to the honey pot.

"The debenture is actually an instrument that offers far greater possibilities as a mode of financing than a simple equity share. Hence it will always be attractive for the corporate sector. And given the backdrop of liberalisation, it is only to be expected that companies will try out new ways of structuring their debt," argues Bombay-based economist and management consultant A.M. Paranjpe. His view is borne out by current trends. These indicate that the days of the standard 14% and seven-year debenture are fast coming to an end. Consider:

■ Bonds today are being floated with varying coupon rates. The most interesting among these are the zero-interest bonds. (A zero-interest bond is essentially debt sold at a discount. While it does not have any coupon rate of interest, the magnitude of the discount determines the yield to the investor.) First floated a couple of years ago by Best & Crompton, they are a godsend for, among others, companies facing a cash-crunch. These zero-interest bonds, as well as low-interest bonds with attractive conversion terms, which experts expect to bloom in the coming years, are ideal instruments for companies on the look out for immediate cheap money.

■ Companies have also started varying the maturity periods of their debentures. Take the Industrial Development Bank of India's recent deep-discount bonds. These bonds, which will finally mature after 25 years, can be retired earlier by both the investor and the company. This is a clear adaptation of trends in the developed financial markets where companies retire high-cost debt to take advantage of falling interest rates.

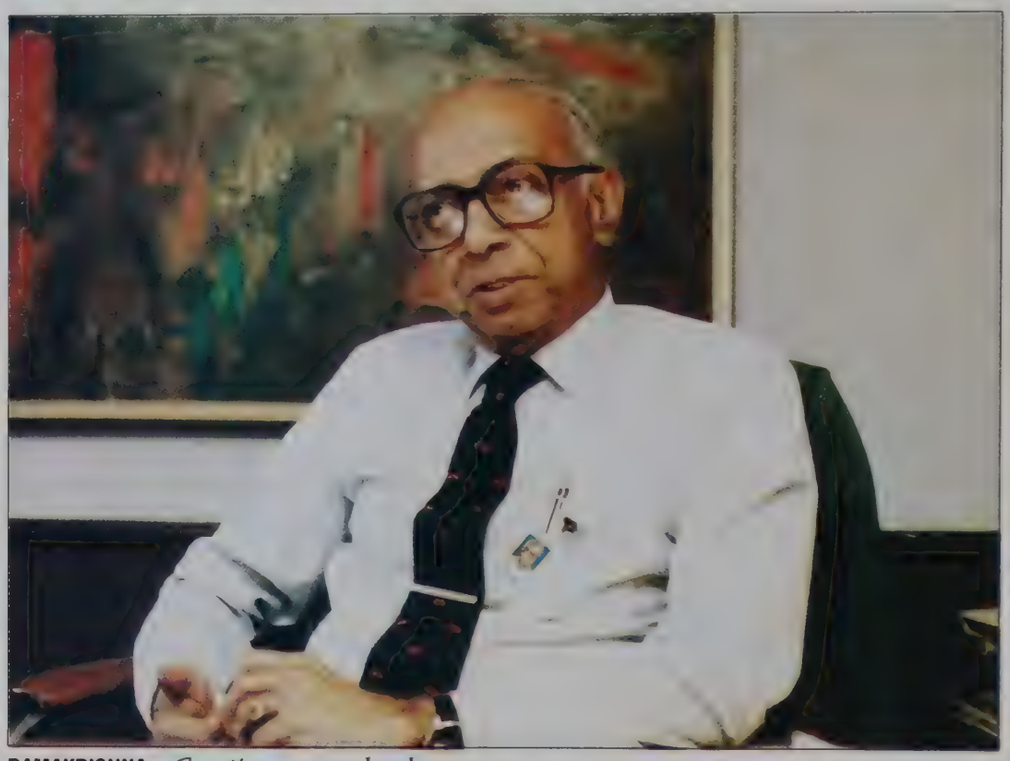
Maturity periods of bonds are also, for all practical purposes, being extended — sometimes, unfortunately, by surreptitious methods. These are the recent spate of debt roll-overs. The most notorious case, of course, is the J.K. Synthetics roll-over. Even the official debenture trustee, Central Bank of India, is reportedly unhappy at the company's decision, especially as the debenture holders were not given the option of opting out of the roll-over.

Not all roll-overs have, however, been controversial. Tata Tea offered its debenture holders the option of opting out of the roll-over. And Bajaj Auto voluntarily took a fresh credit rating at the time of its debt roll-over.

■ Currently, debentures are also being tagged along with lucrative "extras." Take Reliance Industries' F series debentures, for example. (These, incidentally, are also being rolled over.) The conditions for the F series roll-over includes a juicy carrot. Any debenture holder who opts for the roll-over is entitled to a warrant which will give him an equity share for every five debentures held. The new Mangalore Refinery & Petrochemicals public issue of non-convertible debentures comes with an equity warrant attached.

■ With debentures becoming more innovative, the importance of credit rating agencies is also being enhanced. Pioneer Credit Rating & Information Services (India) Ltd (Crisil) recently introduced structured obligations. An example of this is Reliance's E series debt. While, traditionally, debentures are secured against the fixed assets of a company, all structured obligations are in addition secured against a tranche of marketable securities which are deposited with an independent trustee.

More controversially, Investment



RAMAKRISHNA: *Creating ground rules*

Information & Credit Rating Agency (Icra) has flagged off the concept of provisional rating. This means that the rating is applicable only after the company goes on stream. "One wonders if such a rating is proper in India where investor information is abysmal. To say that till the successful completion of the project investors may make their own assessment of the project negates the entire point of credit rating," argues a merchant banker who requested anonymity. It is learnt that the Securities & Exchange Board of India (Sebi) is currently investigating the matter.

But that's not all that has attracted the regulator's attention. The watchdog, after concentrating solely on the equities market, is now working towards protecting investor interest in the debenture markets as well. "We are looking into the creation of ground rules in both the primary and secondary debenture markets," says Sebi chairman G.V. Ramakrishna.

According to Ramakrishna, four preliminary steps have already been taken. Consider:

- Statutory rules are being worked out to ensure payment of interest and timely redemption of debentures. The very fact that even these basic rules are currently non-existent indicates the level of backwardness of the debt market.
- All debentures which are convertible beyond one year will have to be rated now.
- The full terms of both convertible and non-convertible debentures will have to be known to investors. No longer will Sebi allow the terms of conversion to be kept open.
- All companies contemplating roll-overs will have to give the debenture holder an option. And only those who send back positive letters will be asked to subscribe to the roll-over. "The absence of a negative letter should not lead a company to make any presumptions. We know how sometimes negative letters never reach the company!" observes Ramakrishna wryly.

In the new liberalised financial atmosphere, the debenture market is expected to become even more innovative. In India, however, the dividing line between innovation and impropriety is known to be an uncomfortably thin one. Sebi alone can make sure the line is not crossed. If it succeeds, debenture holders will forever be in its debt.

□ Niranjan Rajadhyaksha

NEWS BRIEFS

■ Financial institutions (**FIs**) are considering introducing an '**anchor rate**' of interest which will be the benchmark for their interest rate structure. Negotiations between officials of the RBI, FIs and the finance ministry in this regard are in progress.

■ The Union government has put off plans to avail of a larger loan from the International Monetary Fund (**IMF**) under its extended fund facility (**EFF**), at least till October 1992. Earlier, the government was planning to enter into an EFF arrangement with the IMF by April-May.

■ Companies engaged in investment, finance and leasing have been debarred from being listed on the Over-the-Counter Exchange of India (**OTCEI**). According to the OTCEI chief executive R. Ravimohan, this is being done because the government perceives finance companies to be indulging in "large-scale manipulation." According to Ravimohan, the first public issue will be in May and trading on the exchange will commence soon after.



RAVIMOHAN: *Taking steps to counter manipulation*

■ The (RBI) has announced a number of changes in banking policies in its slack season **credit policy**. These include: freedom to banks to decide on interest rates on term deposits of 46 days to three years, subject to a ceiling of 13%, abolition of the 10% incremental cash reserve ratio introduced in May 1991, rationalisation of lending rates and a cut in the refinance interest rate for dollar-denominated export credit.

The RBI has also announced the date of auction for a new 364-day treasury bill, and prescribed guidelines for the setting up of money market mutual funds. Besides, it has announced capital adequacy norms for banks and prescribed a time schedule for the same. The RBI has also done away with branch licensing restrictions for those banks which have achieved the capital adequacy norms as prescribed by the Narasimham panel on financial sector reforms.

■ The RBI has prescribed a stricter norm than the Narasimham committee had recommended for defining **default** in repayments to commercial banks. Banks have been directed to do away with the grace period in accounting for outstandings. Accordingly, banks will henceforth be required to treat any amount as 'past due' from the very next day of the due date. The Narasimham panel had provided for a 30-day grace period.

The new norm is part of a draft guideline for reclassification of banks' assets.

■ In an effort to shore up banks' balance-sheets, the RBI is considering the introduction of a new system wherein banks will be required to maintain a minimum of 70% of their **securities** as 'core investments' and the rest in 'dealing and current portfolio,' says *The Economic Times*.

■ Alpic, a Bombay-based finance firm, is to soon team up with the Bank of Bahrain & Kuwait (**BBK**) to promote a joint venture financial services company. The new company — Alpic BBK Finance — will promote Indo-Gulf trade and joint ventures, and attract non-resident Indian (NRI) investments from west Asia, besides floating an offshore fund.

SHAREHOLDER PERKS

They don't count discounts; shareholders in India have so far been interested more in dividends, bonus issues and capital appreciation, than in discount coupons, scholarships, insurance, freebies and other perks.

But, with the gradual emergence of the corporation as a shareholder-friendly entity, more companies are jumping on the perks bandwagon. True, there are problems. Also true, it does not make much of a difference in investment decisions. But there are companies which see in shareholder perks the opportunity to project themselves in the public mind as caring concerns.

What do companies have on offer? Traditionally, it has been the discount route and there are examples galore.

If an investor holds shares in Indian Hotels, he can avail of a 15% discount in any of its restaurants on production of a coupon (usable once only, of course). East India Hotels has been giving a 20% discount on food and beverages in Oberoi restaurants. And for those who want to stay in style, Asian Hotels makes a 10% discount offer on rooms to its shareholders.

In clothing, a common feature among textile companies is to dispatch discount coupons along with the dividend warrants. Reliance offers a 12.5% discount on purchases of its fabrics worth up to Rs 1,000. This has been an annual ritual since 1978. Grasim and Bombay Dyeing, too, offer similar discounts. Century is a bit liberal with a 15% off.

After *roti* and *kapda* comes *makaan*. With real estate prices moving skywards, buying a house without loan-funding is next to impossible. So the shareholders of Housing Development Finance Corp (HDFC) are relatively lucky. The original investors are given a 0.5% concession on the normal lending rate on the portion of the loan equivalent to 10 times the face value of the shares. Besides, they are given preferential treatment in obtaining loans.

As for consumer goods, Usha Rectifier gives a 20% discount on its home appliances on purchases up to Rs 10,000. Titan Watches gives 7.5% discount coupons subject to a maximum purchase of Rs 200. Each shareholder is mailed two such coupons every year. Bata India gives 20% off on any of its shoes. Last year IFB Industries mailed its shareholders a Rs 1,000 discount coupon for purchase of its washing machines.

Some schemes have been the casualties of changing times. In 1985, Hero Honda had 10% of its output reserved for its shareholders. Says a company spokesman: "When motorcycles became available virtually off-the-shelf in 1988-89, the quota scheme died a natural death. However, if we start bookings again, shareholders will be entitled to the 10% quota."

In tyres, JK Tyres offers its shareholders the dealer margin which works out to 7.5% off for ordinary car tyres and 10% for radial tyres. "In addition to this, four or five years ago when our dividend was not very high, we used to offer a 5% discount on passenger car tyres," says vice-president V.C. Vishwanathan. "It comes to a lot; a Gypsy radial tyre costs about Rs 2,500." This scheme, however, does not exist currently.

There are some who have gone off the traditional track. Essar Gujarat has



OVERSEAS ENTICEMENTS

Shareholder perks may be a new phenomenon in India, but they have come a long way in the West. Seymour Pierce Butterfield, a member of the International Stock Exchange and the Securities Association, which has compiled a list of concessions offered by UK companies, cites an example of a couple who picked up shares in Forte only because it would result in a substantial cost-saving if their wedding reception was held in Forte Hotel.

That could be termed a bachelor share in contrast to the more familiar terminology of widow shares. But that's not all; there are several other perks which are quite interesting. Sample this:

■ A travel buff who holds 100 units in Eurotunnel is entitled to a return shuttle trip across the Channel on payment of an annual registration fee of £12 and a nominal charge of £1 per one-way journey. If he holds 1,500 units, he can take an unlimited number of rides.

■ The Severn Valley Railway also offers free travel on its services. A holder of 500 £1 shares is eligible for four first class return tickets on its 16-mile standard gauge steam railway. If a shareholder has 1,000 units, he is given a first class family gold pass for limitless travel.

■ For the sea freaks, one has to be a unit holder in Barclays Unicorn Unit Trusts. The benefit: 15% off on selected QE2, Cunard Countess and Cunard Princess cruises.

■ The holiday hounds have other exciting bargains. If a shareholder has 100 of the 25 pence shares in Lonrho, he or his immediate family is offered a 30% discount on rooms at the company's Merville Beach Hotel, Mauritius, and Kenyan Hotels or 25% off on accommodation at Metropole Hotel, UK, and a 10% concession on short packaged holidays.

■ Airtours also allows all its shareholders 10% off on the full range of its holiday packages and Eurosites Camping holidays.

■ For a tennis nut, the £2,000 non-interest-bearing 1991-95 series debentures in All England Lawn Tennis & Croquet entitles the holder to a centre court seat with use of the private lounge, and the right to participate in a lucky dip to get car parking space for every day of the Wimbledon championships till 1995.

■ For those moving in the fast lane, 500 of the 25p shares in Barr & Wallace Arnold Trust come with a 10% discount on Vauxhall/Opel, Volkswagen/Audi, Citroen, Renault and Ford motor cars.

■ Even the more mundane utilities are in the perks game. A shareholder in Regional Electricity qualifies for a £18 voucher for every 100 shares held. These vouchers (subject to a ceiling of £54) can be used to square up electricity bills.

■ For holders of 1,200 25p shares in Bank of Scotland, membership for the bank's Visa Card comes free. Besides, the bank offers 50% off on management charges for handling equity portfolios. A 33 1/3% discount on insurance cover for business and holiday travel can also be availed of.

■ And tipplers need not give up their spirits. Scottish & Newcastle offers 30% concession on selected cases of wines from Waverley Vintners, each coming with a bottle of malt whisky.

And there are a host of discounts dished out by companies on groceries, chocolates, books, health, beauty care and household products. A holder of 5,062 of the 25p shares in Asprey (USM) is given 15% off on antiques and jewellery.

But the most outlandish perk offered is by the Great Southern Group. Its shareholders qualify for a discount on Chosen Heritage prepaid funeral plans. Clearly, a shareholder-owner relationship, it seems, is bound till death do them apart.



THE EUROTUNNEL: *Joy rides for some*

a scholarship scheme for its shareholders and their close relatives. Each year, it funds 10 students. Usha Rectifier played copy cat subsequently. Britannia is also about to kick off an educational trust with scholarship offerings.

Another educational concession is provided by Digital Equipment (India). Says vice-president (sales & marketing) Bhaskar Pramanik: "Last year we distributed coupons which entitled the shareholders to discounts on computer educational programmes conducted by Digital India and its franchisees."

To break away from the daily grind, there are discounts on holidaying. Ras Resorts, for one, offers a 10% discount to its shareholders depending on the occupancy rate.

For those who go for routine medical check-ups, there are some companies which ease the pressure on the shareholders' wallets. Apollo Hospitals, Surlux Diagnostics and Standard Diagnostics offer discounts, depending on the type of check-up, at their medical centres.

Yet another novel perk which was heavily publicised is insurance. The shareholders of Deepak Fertilisers & Petrochemicals Corp and Deepak Nitrite have been covered under the personal accident insurance scheme for a period of five years. The insurance sum depends on the number of shares held by an investor. For example, for up to 150 shares held, the insured amount is Rs 10,000 with a 25% incremental rise each year. Gujarat Oiland also had a similar scheme and now Indian Bank Mutual Fund is tomtomming its insurance cover for its latest offering — Ind Prakash.

There are other perks which come the shareholders' way at annual general meeting (AGM) time. Britannia gives biscuits. The State Bank of Mysore, which used to distribute plastic wares, is now dishing out stainless steel utensils costing approximately Rs 22. And several other companies like Reliance dole out packets of snacks or ice-creams for which there is an inevitable stampede. (Asea Brown Boveri, which experienced such mad rushes, has solved the problem by giving discount coupons instead of refreshments. These can be used in notified shops.)

But there is another side to the coin. Some companies which were earlier liberal with such perks are thinking twice. Says Madura Coats group financial controller O.P. Yadav: "We used to hand out coupons which entitled shareholders to a discount of 15% on the company's textile products. But this practice has been discontinued since the past four years because the accounts were cumbersome. Besides, shareholders in centres not represented by our outlets complained of discrimination." Videocon, which gave Rs 1,000 off on its televisions and washing machines, has also applied the brakes because of accounting hassles and Grasim has scaled down its discount offer from 20% to 15%.

Delhi-based Goetze too learnt the hard way. Says financial advisor P. Bhalla: "Two years ago, shareholders who attended the AGM were given a plastic tiffinbox (cost: Rs 40). Thereafter, we were flooded with so many requests that we never gave anything else." Indian Hotels, too, has stopped doling out hampers at its AGMs.

A bevy of companies is jumping on the shareholder perks bandwagon to project themselves as caring concerns in the public mind

Besides, most multinationals do not believe in perks. ITC does not even pass cigarettes around at its AGMs. And others of its ilk are equally tight-fisted on this front. Says Lipton India communications manager V. Krishnamurthy: "Our shareholders have been demanding company products and discounts. But it is a policy decision, in fact at all Lever companies, not to offer shareholders any perks other than dividends." SmithKline too does not believe in perks. "We pay high dividends," says company secretary Partha Mukherjee.

The Eicher group also believes in only financial returns. Says Eicher Motors managing director Subodh Bhargava: "Our product is very high-priced. With a very large number of shareholders, this (a discount) would not be a very meaningful, focused exercise. Eicher Motors has some 30,000 shareholders. In order to give them a reasonable benefit, the outlay would have to be very large." Max India is in a similar position. Explains vice-president (finance) Ashwini Windlass: "We don't have anything in our product range for which we can give a discount."

But there are others who are trying. Says a DCM Shriram Industrial Enterprises spokesman: "We have plans to offer some scheme, but nothing has been finalised. We make vanaspati and sugar. We could offer sugar at concessional rates to shareholders. Vanaspati is still in short supply. If there is a shortage of oil, we could offer vanaspati."

And, despite the many naysayers to shareholder perks, there are some who feel that they do create a psychological impact on shareholders. More and more companies are likely to capitalise on this. Says Essar's deputy general manager (corporate communications) N.S. Rajan: "Innovative perks to shareholders bring in a lot of goodwill for a company. Take for example our scholarship scheme. Though the amount we are spending on it is small considering the size of the group, it (the scheme) does help in building up a corporate image."

True. Essar, for its scholarship scheme this year, has received about 5,000 applications of which 10 will be finally zeroed in on. The company will annually spend Rs 15,000 each for eight scholarships in India and Rs 50,000 each for two for terms abroad.

But unlike Essar which timed its scheme when it was going hat in hand to the public, Deepak Fertilisers and Deepak Nitrite did show a lot of caring for all their shareholders. Several months after the former's debenture issue was closed, the companies covered all the 2.5 lakh shareholders under the personal accident insurance scheme. Says C.K. Mehta the company's chairman and managing director: "We realised that most people plan for everything else except accidents. That's what made us think of insurance."

Since the scheme was flagged off more than two years ago, about 125 people have benefited with total claims put at Rs 25 lakh. Now isn't that the pick of the perks?

□ Roy Pinto

(With reports from Palakunnathu G Mathai, A.H. Ghani and D.N. Mukerjea.)

A BARRELFUL OF PROFITS?

It's a midget that's itching to become a mammoth multinational — and quickly. Prestige HM Polycontainers Ltd (PHMPL), a Bombay-based barrel manufacturer, proposes to instal capacity for its product in Dubai in the next couple of years. Says managing director P.K. Gupta: "In fact by the year 2000, ours should be a multinational with a firm production foothold in the developing or semi-developed countries."



THE CLOSE HEADED EL_2 AND (INSET) GUPTA: *Selling is no problem*

Sounds like a long shot for a company that registered a net loss of Rs 50 lakh in the first half of 1991-92. For that matter, 1990-91 was hardly better; PHMPL reported sales of Rs 18.44 crore but its bottomline was stained red to the tune of Rs 2.46 crore. "That is history," declares Gupta. "We did badly in the first half of 1991-92 because the Reserve Bank of India clamped down on imports. Much of our raw material is imported and as a result, capacity utilisation dropped to a mere 40%. From December 1991 import curbs were eased and capacity utilisation shot up to 90%."

Many advantages. PHMPL's product is the EL_2 ring barrel which is used to store chemicals, inflammable fuels and edibles. Gupta highlights the advantages of the EL_2 barrel over the steel drum which is his prime competitor: one, the EL_2 ring barrel is moulded in a single piece, with no joints, resulting in zero leakage. Two, should a petrol drum explode, the debris scatters over a larger area, endangering lives and goods. Gupta claims that if a EL_2 ring petrol barrel explodes, the debris scatter would be over a much smaller area, resulting in less damage. Three, foodgrain has a shelf-life of a mere six months in most cases; but once packed, the shelf-life trebles. Four, the resale price of a steel drum works out to Rs 200 whereas that of an EL_2 ring barrel is Rs 200 higher. "We have found a thriving second-hand market for our EL_2 rings because they can be used to store water," he says. "Hence the consumer is willing to pay us the higher price."

Not just that. Gupta feels that once steel manufacturers raise prices, steel drum makers will be forced to follow suit. This will make the EL_2 ring more price-competitive, leaving PHMPL the option of either raising its selling price or using the advantage to eat into the steel drum market.

When PHMPL kicked off in 1987, its installed capacity was 2 lakh barrels per annum (bpa). Demand exceeded supply by an encouraging margin, and the company was soon forced to treble production. With 70% of the chemical companies in western India picking up whatever he has produced, Gupta intends to launch a fresh offensive. "We have taken over a running unit and should commission it in a month's time. Then there is the expansion of the mother plant by 4 lakh bpa. To top it, we should be on stream with our Dubai plant contributing 2.5 lakh bpa by December 1993. So, over the next year-and-a-half, we should be able to raise our output from 6 lakh bpa to 17-18 lakh bpa without too much of a problem."

Selling, Gupta insists, is going to be the least of his worries. Sri Lanka needs 1 lakh bpa to pack latex and spices, while there is considerable scope for expanding into spices, tea, coffee, marine and food products within India itself. "Tea is packed in wooden chests, resulting in deforestation. If we can convince tea companies to use our barrels, then the sky is the limit for us," he adds.

Interestingly, export income is expected to chip in a significant slice to PHMPL's operations. The company expects to import Rs 15 crore of high-molecular high density polyethylene (HM-HDPE — the raw material) in 1992-93 which is slated to be covered by Rs 20 crore of export.

Production bases. PHMPL has a technical collaboration with Mauser of Germany. The EL_2 ring is Mauser's patented product and it is actively encouraging its Indian partner to service countries which are too distant for it to cater to. As a result, Gupta is looking to set up production bases in southeast Asia and Africa.

On the domestic front, his two principal competitors have also lost their bite. Ador Packaging, Gupta says, is on the verge of closure, while Hoysala Packaging has shuttered its barrels capacity. "Considering that Balmer Lawrie sells exclusively to IBP, we have a kind of virtual monopoly for this product in the country," says Gupta.

Not surprisingly, his optimism is expected to be reflected in the financial numbers. Sales, which were 3.5 lakh barrels in 1990-91, are slated to touch 6 lakh in 1991-92 and 11 lakh in 1993-94. In rupee terms, sales are expected to be around Rs 22 crore for 1991-92 (first half: Rs 8.34 crore) and Rs 65 crore in 1992-93. The 1994-95 turnover target, hold your breath, is Rs 100 crore.

The immediately optimistic factors are that PHMPL is sitting on an export order-book of Rs 10 crore for 1992-93; net profit for the second half is expected to be around Rs 1.20 crore (remember, production stabilised only in December 1991) which should wipe out the red of the first half by a clear Rs 70 lakh; there is no tax liability until at least 1995 as a result of the expansion programme being chalked out.

But one statistic that should send the bullish beeps flashing is the fact that Gupta is optimistic of a 15% gross profit margin for 1992-93 on sales of Rs 65 crore. This should result in a cash flow of Rs 9.7 crore against a present-day equity capital of a mere Rs 3.5 crore.

□ Mudar Patherya

AN UNUSUAL HIGH

DEEPAK MOHONI



The stockmarket is often depicted as a battlefield for a hypothetical war between bulls and bears. The fortnight under review (13-24 April) was the subject of a very real war between the Securities & Exchange Board of India (Sebi) and stockbrokers. The unfortunate fallout of the conflict was that there were only two actual trading sessions during the entire period, as Sebi's newly-acquired claws tore at the web of security that the brokers have been accustomed to. Neither side managed to score any marks with the investing public, to whom both parties owe their very existence.

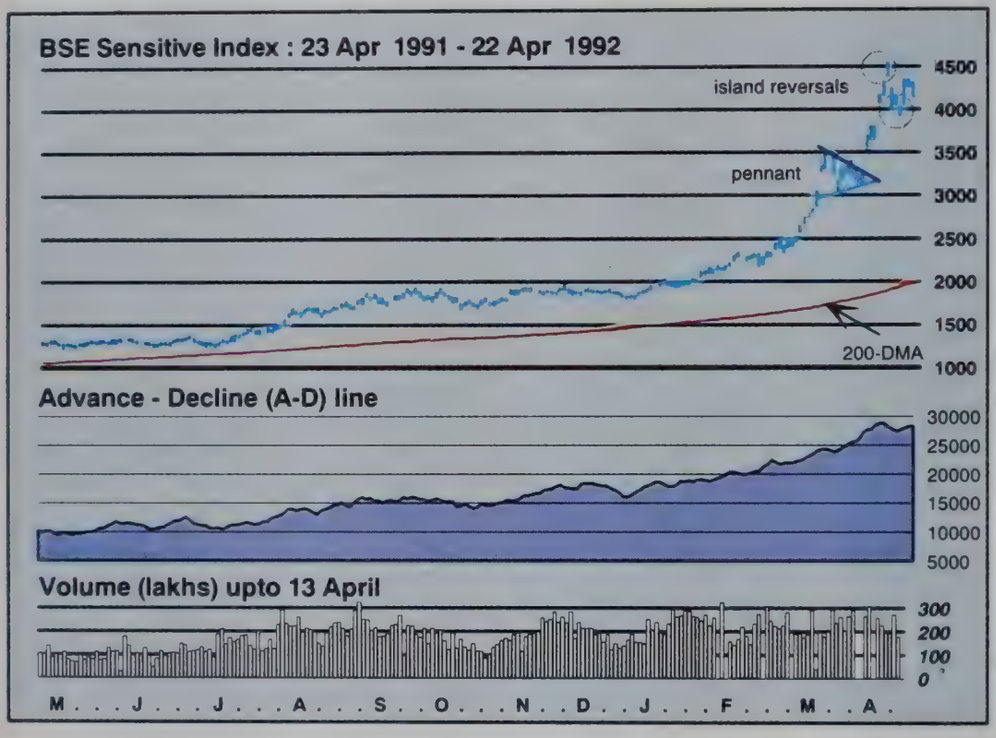
Trading took place only on 13 and 22 April, though there were some dummy transactions of no significance on 23 April. These two days of trading ended with the Bombay stock exchange sensitive index (BSE Sensex) closing at a new high of 4,467.32,a gain of 160.89 points (3.74%) from its 10 April close of 4,306.43. The national index (NI) closed at 1,879.84, down 36.33 points (1.90%) from 1,916.17 over the same interval.

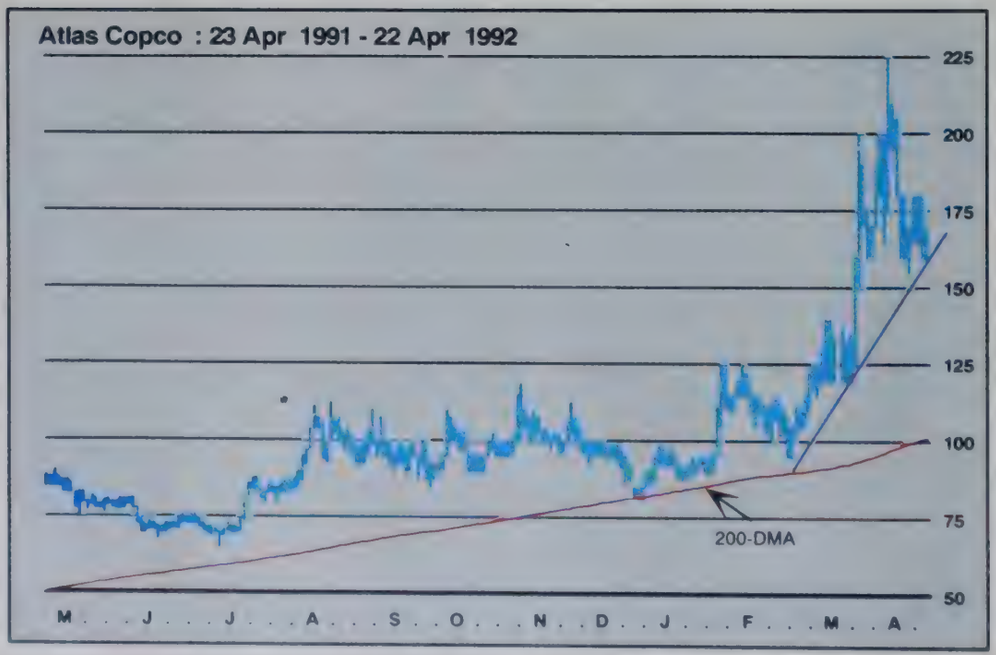
The divergence between the two indices occurred entirely on 22 April, when the 30-share Sensex shot up by 304.30 points, while the 100-share NI was just 11.53 points firmer. This difference is extremely difficult to understand, as all the 30 Sensex stocks are part of the NI, and in fact contribute to around half its weightage. The remaining 70 scrips certainly did not fall by the extent required to nullify the gains of the Sensex 30. Apart from cocking an eyebrow at the whole situation, there is very little to be gleaned from it.

If there is a computation error, it has to be in the NI, as the Sensex stocks fared rather well, with Tisco and Reliance gaining 47.50 points each. The other Sensex heavyweights did pretty well too, with ITC up 100 points. Tisco was quoted ex-rights on the said day and closed at Rs 552.50. This amounts to an effective gain of Rs 47.50 for the stock, as its last cum-rights quote of Rs 675 was equivalent to an ex-rights value of Rs 505. The company's rights offer was 2:5 at a price of Rs 80 each. Even the Dow Jones Industrial Average, incidentally, was computed incorrectly a few weeks back.

Trading on 22 April was confined to just about an hour, and only the day's closing values were released for the two indices. Volumes were not representative either, as several brokers abstained from trading, and most investors outside the exchange learned about the trading in the next day's papers. The new high in the index should really be treated with some caution, until it is confirmed once the fracas blows over.

With just two days of trading, there





is not much change in the chart interpretation, which was quite unclear anyway. With a top and bottom island reversal having occurred in quick succession, the likeliest possibilities appear to be either that of a continuation of the old uptrend, or the formation of some pattern of a continuation or reversal variety. The session on 22 April ended the minor downtrend anyway and set all the three trends — major, intermediate and minor — pointing upwards.

The 200-day moving averages (200-DMAs) of the two indices went up to 2,019.95 for the Sensex and 948.84 for the NI. Practically every traded stock is quoting above its 200-DMA, such has been the strength of this rally. The advance-decline (A-D) line did not quite make a new high with the Sensex, but is not so far off the mark as to give any cause for alarm yet.

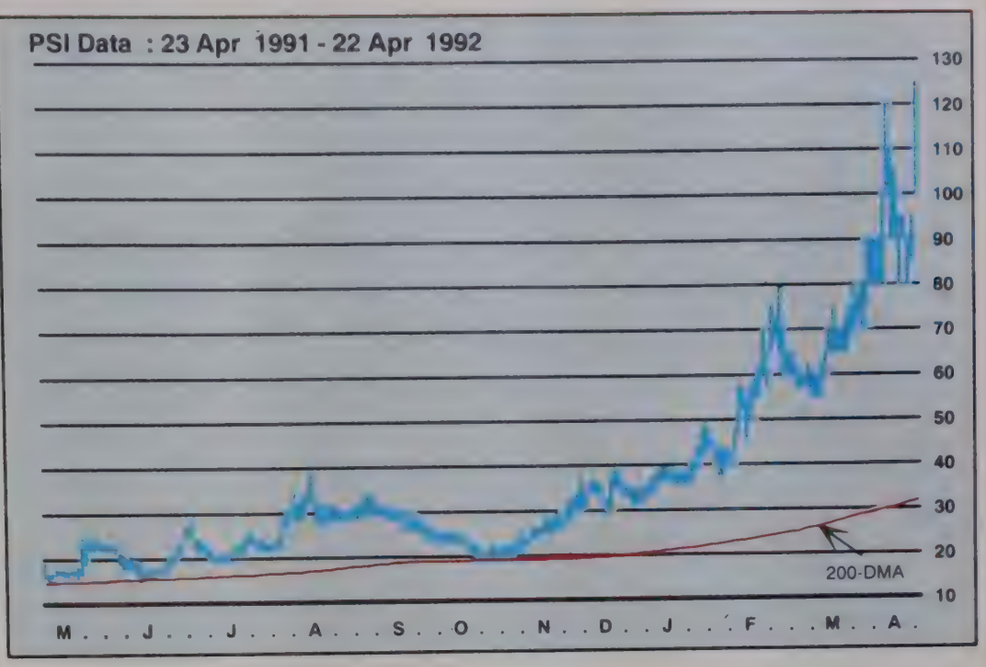
As usual, we have four stocks again this issue, which are all buy recommendations in deference to the trend. First, **Atlas Copco**, with a 200-DMA of Rs 101.55, has declined to a trendline, and has also retraced exactly 50% of its gains in the latest market surge. This would constitute a good buying point for the stock, which would now have a decent chance of scaling a new peak.

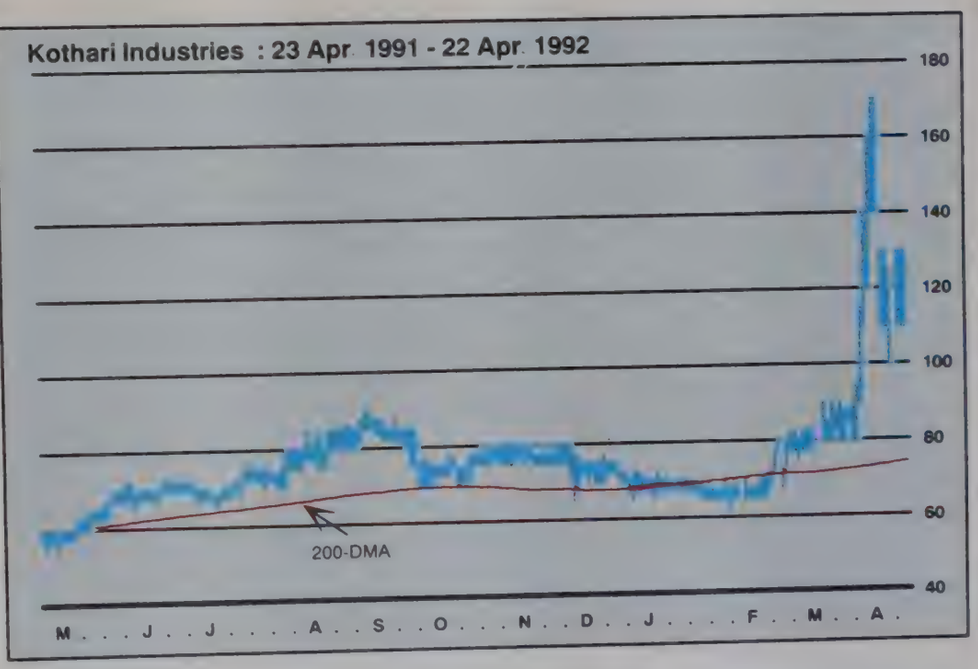
PSI Data, as with so many stocks in this rally, jumped sharply to close on 22 April at a new peak of Rs 125, ending a minor decline in the process. The jump should have pennant-like implications, and an immediate target of Rs 160 (intra-day basis) should be imminent. The scrip has a 200-DMA of Rs 38.13.

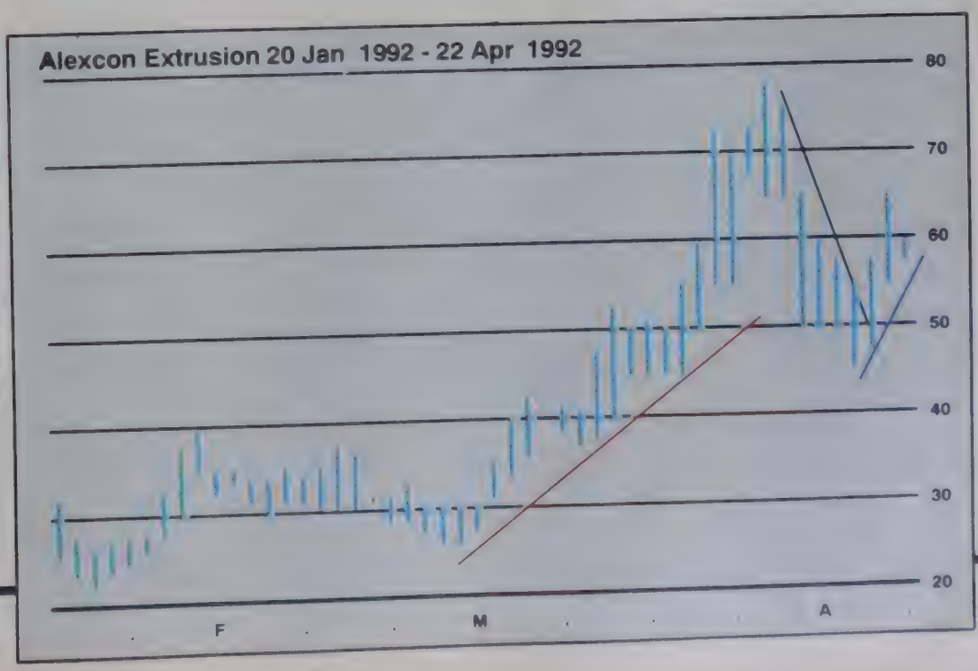
Kothari Industries broke through major resistance in the Rs 90-100 region, went straight up to Rs 170 and reacted to Rs 100. The stock appears to be ending its pull-back, and could be backed to scale a new high. The scrip has a 200-dma of Rs 78.80.

It is not unusual for newly listed stocks to start forming trendlines right away. This appears to be the case with **Alexcon Extrusion**, which made its debut on 20 January, and has been around for just 50 sessions (hence no 200-DMA). It has broken out of its last minor decline and, as with most new issues which succeed, represents good appreciation potential.

• *The author runs Smartcharts, which offers chart services and technical analysis research.*









A leading newspaper dealer in his earlier days, Rasiklal Bhutta is getting into the printing business. His company Bhutta Printing & Allied Industries Ltd (BPAIL) will print application forms, prospectuses, dividend warrants, refund orders, brochures, balance-sheets etc for various companies.

States Bhutta: "This service-oriented business is easier to handle with my long experience (22 years). Today, even if I get printing orders from 10 companies every three months, it will be enough to service my equity." His printing press has the capacity to print 30 lakh application forms within 24 hours.

His other plans include diversifying into food packaging — a plant is slated to come up in Vapi (Gujarat), while the printing press is being set up in New Bombay.

To part-finance the Rs 4.70 crore project, the company is floating a Rs 2.20 crore at-par equity issue in June 1992.



S. Mohanchand Dadha has cocked a keen eye on exports. His Pradeep Drug Co Ltd (PDCL) is putting up a separate 100% export-oriented bulk drug plant in Madras.

Says Dadha: "The entire production will be bought by Scamchem A-S of Denmark. The new plant will manufacture 360 tonnes per annum (tpa) of analgin, 60 tpa of mebendazole and 36 tpa of furosemide. Moreover, these drugs will not attract any anti-dumping duty as they are out of the patent list."

PDCL also plans to enter the lucrative US market, where profit margins are in the vicinity of 30%, once the Food & Drug Administration (FDA) approves its products. Reveals Dadha: "Once the FDA gives its approval, we will double our capacity." The company chalked up Rs 6 crore in exports last year and it expects to take that figure past Rs 10 crore in 1992.

To part-finance the 100% EOU, PDCL is entering the capital market in May with a Rs 3.40 crore at-par equity issue.



The cement boom is luring many a player into the industry including Hyderabad-based cement dealer-cum-leather exporter Syed Badruddin Shez. Shez has promoted a new company Shez Cement Ltd (SCL) which will produce 90,000 tpa of the commodity.

Says Shez: "With an estimated shortfall of 3.6 million tpa, marketing should be no problem. Moreover, nearly 25% of our production will be utilised to manufacture speciality cement, while the rest of the capacity will be used for portland cement."

What will give SCL an edge is the plant's proximity to limestone quarries. Reveals Shez: "The limestone available has just 1% of iron and magnesium content."

To part-finance the project, SCL is entering the capital market in May with a Rs 4.53 crore at-par equity issue. The plant is scheduled to go on stream in July 1992.



Tirumala Textiles Processors Ltd (TTPL) managing director Lalit Gupta has spun up big plans. A processor of textile fabrics, sold under the Tirumala brandname, he is expanding capacity and getting into the manufacture of cloth itself (capacity: 15 lakh metres per annum — lmpa). And he's more than bullish about prospects.

Says he: "The confidence comes from the fact that the company's products have been well accepted abroad. Though we don't export directly, our products are sold by various trading houses in Europe."

The expansion envisages raising processing capacity to 100 lmpa and TTPL will be installing powerlooms to create the new weaving capacity. Says Gupta: "Nearly 75% of the production has been earmarked for exports, for which we have received orders from European countries."

To part-finance these plans, TTPL is entering the capital market on 6 May with a Rs 3.05 crore at-par equity issue.



Not content with being just another "nameless private firm," Mandsaur Ferro Alloys Ltd (MFAL) — part of the Mandsaur Steels group — is coming out of the shadows. It is setting up a hi-carbon ferro chrome plant at Mandsaur, Madhya Pradesh, apart from going public.

Says chairman Shantilal Jain: "Hi-carbon ferro chrome is an import substitute which has applications in stainless steel." Take a dekko at the statistics for hi-carbon ferro chrome: total domestic demand is about 1 lakh tpa, while production is in the vicinity of 60,000 tonnes. MFAL will manufacture 6,000 tpa of the product and some three other ferrous alloys, namely silico manganese, ferro silicon and ferro manganese.

To part-finance its plans, the company is entering the capital market on 6 May, with a Rs 2.16 crore at-par equity issue.



A pioneer in the manufacture of business forms in India, Calcutta-headquartered Business Forms has indeed come a long way since its inception 27 years back. It has diversified into the manufacture of machinery (paper coating machines) and speciality products such as ribbons for electronic typewriters. It has also set up a technology division which is in the final stage of developing micro-encapsulated perfumes and cosmetic oils.

Says Arun Sud (incumbent chairman & managing director of the Rs 6 crore turnover company since the founder, his father, superannuated a few years back): "We are now making good value-added products and given our distribution network and goodwill the future seems rosy."

This very closely-held company is finally about to tap the capital market in a bid to increase its equity base for future expansion costing Rs 6 crore. The Rs 3.5 crore at-par equity issue is slated to be floated in June.



His is the typical rags-to-riches story. Surinder Kumar Kedia borrowed some cash from a friend to promote his first venture 10 years. Today it has metamorphosed into the Rs 25 crore-plus Black Rose group. And it is setting up a 100% export-oriented unit (EOU) — Asia Fab Ltd (AFL) — to turn out synthetic fabrics.

Reveals Kedia: "We are setting up an EOU and going public because it is part of the group's long-term plans. This issue will give us enough confidence, when other group companies go public in a few years time."

AFL's main markets will be Europe and west Asia, while the plant is located at Ichalkaranji, near Kolhapur (Maharashtra). Says Kedia: "The future looks bright. Exports of synthetic processed fabric yield good realisation. Also, the textile scenario in the country has undergone a sea change."

To part-finance the Rs 4.88 crore project, AFL is entering the capital market in May with a Rs 3.20 crore at-par equity issue.



He was once a chemical trader but Chemox Chemical Industries Ltd (CCIL) chief S.N. Agarwal is a manufacturer in his own right now. And he intends to repeat that act with two new products — sulphamethoxazole (SMX — capacity: 600 tpa) and trimethoxy benzaldehyde (TMBA).

With SMX (a bulk drug), Agarwal hopes to break the vice-like grip that the Chinese have on the international market. Says he: "We will export 75% of our production, while the rest will be sold domestically."

The second product — TMBA — is a drug intermediate and will be made at CCIL's plant at Ankleshwar in Gujarat. Says Agarwal: "It is an import substitute and will save the country Rs 5 crore in forex."

To part-finance these projects, CCIL is entering the capital market on 6 May with a rights (2:1)-cum-public issue of equity shares which are being doled out at a premium of Rs 20 per share. The issue size: Rs 5.72 crore.



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MFs: ARTIFICIAL HIGH

RAAMDEO AGRAWAL



Towards mid-April, the Securities & Exchange Board of India (Sebi) made a fiat that brokers get registered with it after coughing up a fee. The bulls and bears reacted by refusing to get onto the trading floor and do any deals. Adding fuel to the fire were the unusually high *badla* rates in Calcutta and Ahmedabad. This clearly gave a signal that the flow of money into the secondary market at current rates is beginning to dry up.

From the market, let's move to the mutual funds. The concept of mutual funds is of relatively recent origin in the Indian context. It came into existence only four years back in the true sense. Until then, the Unit Trust of India (UTI) was the sole public fund manager. It floated Mastershare which was quite a successful scheme right from the word go. But, unfortunately, it was quoting well below its net asset value (NAV) for a long time. It crossed that hurdle only recently when the market took off like a rocket.

The average price/earning (P/E) multiple of the market is close to 50 these days; hence there is not much sense in paying a premium for investing in any of the schemes quoting above their current NAVs. In the case of SBI Magnum, the NAV is 25, but its market price is Rs 130.

Can one justify this kind of pricing? Well, some marketmen would definitely think so. They believe that these schemes have been given a substantial chunk of public sector undertaking (PSU) shares at incredibly low prices. The scenario in the market today is that PSU shares are changing hands unofficially at prices which are some five-10 times the amount the mutual funds paid. Therefore, the true picture is not being reflected in the NAVs of the various funds, marketmen say. Once the PSU shares get listed, everything will come into proper focus and the NAVs will rise, they believe.

What they tend to forget is that the PSUs are no great shakes and that at one time most people would have shuddered at the prospect of touching the share of a government-run company. But in the euphoria of privatisation, PSU shares have come into the limelight and are being quoted at really artificially high levels. For instance, Steel Authority of India Ltd (Sail) shares are available at Rs 150-200 when the company is barely able to keep its head above water. With an earning per share (EPS) of about Re 1 and all its plants awaiting massive modernisation, servicing a Rs 4,000 crore equity (and Rs 60,000 crore market capitalisation) is not going to be an easy task. In my opinion, once the government decides to unload 20-30% of Sail's equity through a public offer it will be difficult to maintain prices of even Rs 50. Hence the role of PSU shares in mutual fund schemes is being overplayed. In fact, my apprehension is that once the new issue guidelines come, with some exceptions, there will be hardly any takers for these shares.

A premium on NAVs is justifiable if units are scarce. But the situation is just the reverse; UTI is coming out with a third growth scheme, Mastergain, which has promised firm allotment. Then a whole lot of private sector mutual funds are waiting to get into the act. These newcomers will definitely be on a better wicket as compared to the PSU mutual funds. For one, they'll be more professionally managed without the hoodoo of bureaucracy. Then they'll go all out on the research front, splurging heavily on this activity. I foresee a scenario when the existing mutual fund schemes will again start selling well below their NAVs, as is the case with the India Funds and India Growth Funds abroad. Hence one must book profits in these schemes before the premium available on them evaporates.

• *The author is a Bombay-based investment consultant.*

OVERPRICED FUNDS

Scheme	NAV as on 31 Mar 92	Market price	Premium (%)
Mastershare	61.00	83	36
SBI Magnum 90	25.00	130	420
Canshares	26.68	65	143
Cangrowth	34.37	65	89
Ind Ratna	382.46	950	148

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TWO LONG-TERM PICKS

CLIFTON DESILVA

Autolec was recommended through this column (see *BW* 22 May-4 June 1991) when it was priced at Rs 34. Currently, the share is quoting around Rs 80 and appears a good investment on declines in view of the fact that companies with weaker fundamentals are quoting higher.

Based in Madras, Autolec was promoted by technocrat-entrepreneur K. Vasudevan in 1965. Since then, the company made rapid strides and today it holds the distinction of being India's largest manufacturer of automotive water and oil pumps. It also manufactures fuel and water pumps, kit valves, rocker shafts, bushes and auto tensioner assemblies for internal combustion engines for four-wheelers.

Autolec kicked off with a single unit at Ambattur in 1965 and, by 1985, set up another unit at Gummidipoondi to cater to the growing response to the company's products. In 1989, another unit was commissioned at Vellappanchavadi to meet the growing export market requirements. Autolec recently embarked on a programme to increase the capacities of its Gummidipoondi and Vellappanchavadi plants and modernise its Ambattur plant.

With the increase in capacity of the Gummidipoondi plant, Autolec hopes to meet the growing requirements of Maruti Udyog and other manufacturers, as well as that of the replacement market. The capacity increase at the Vellappanchavadi plant was basically to satisfy the export market demand. The company's plans also include setting up a foundry at Gummidipoondi to meet its casting requirements. The company's expansion-cum-modernisation programme, estimated to cost Rs 4.72 crore, was financed through an equity capital increase of Rs 2.05 crore of which Rs 1.8 crore was through a public issue in January 1991. The balance Rs 2.67 crore came through internal accruals and term loans from institutions.

The company's products are marketed under the brandname Autolec. Original equipment sales, exports and supplies to government undertakings are handled directly by the company's marketing division. The distribution of Autolec products in the replacement market is through the TVS group. Autolec today commands a 70%-plus share of the original equipment market. Its pumps are used in almost all the premier cars manufactured in the country and most of its other products are exported to the US, the UK, Germany and Australia among other countries.

Autolec's future hinges on the growth of the automobile industry. The company is also tapping new avenues by developing pumps for internal combustion engines for Hindustan Powerplus. And the potential in the replacement market is excellent, as the lifespan of most pumps is generally four-five years.

Financially, the company is on a good wicket. Turnover, which was placed at Rs 5.43 crore in 1987, shot up to Rs 14.61 crore for March 1991. And profits have been moving up in tandem. For the six months ended September 1991, turnover stood at 9.77 crore and net profit at Rs 58 lakh.

The shares of Autolec and SKF Bearings look attractive for long-term investment and can be picked at declines

The benefits of the expansion and modernisation schemes undertaken by the company should manifest themselves in the current and subsequent years. Thus, the Autolec share appears an attractive long-term buy.

SKF Bearings, formerly Associated Bearings, is a leader in the bearing industry. This company was also recommended in this column (see *BW* 7-20 November 1990) when it was Rs 2,400. Presently, the share is quoting around Rs 3,800 and is a good buy at declines for long-term investment.

The company was incorporated in April 1961 and began commercial production at its Chinchwad plant in 1965. It has a financial and technological tieup with SKF of Sweden.



From a modest turnover of Rs 1.65 crore in the initial year, sales have reached Rs 197 crore for the year ended March 1991. In 1990, the company undertook the Capital India Project which spelt the introduction of a new generation of bearings in the country. For this the company commissioned a new factory, at Bommasandra near Bangalore, which is considered to be the most modern bearing-manufacturing unit in the world.

The Capital India Project, slated for completion in 1994, will enable the company to respond to the 9% growth rate in the bearing market. Besides, SKF's Chinchwad unit is licenced to manufacture 22.35 million ball and roller bearings per annum and the Bommasandra unit 26.4 million.

For the year to March 1991, turnover stood at Rs 197 crore as against Rs 142 crore the previous year. Bearing and textile item sales were 37% and 61% higher respectively than that of the previous year.

Of the bearing sales, around 65% was to original equipment manufacturers (OEMs) and the balance 35% was absorbed by the replacement market. In the OEM category, the automotive segment accounted for 60%, the electrical segment 23% and the balance 17% was lapped up by other industries. The temporary slowdown in the automotive sector did impact the company's bottomline. However, with an eye on the future prospects of the automotive sector in general and SKF Bearings in particular, the shares appear prime picks for the long term.

• *The author is a Bombay-based investment manager.*

BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 8 June 1992.

ention is drawn the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.

2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.

3. Investments in debentures or securities other than equity shares are not permitted.

4. No investment can be made in scrips in which there has been no trading on the reference date for investment (26 May 1992 for Contest No 19).

5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).

6. The maximum amount investible in any one scrip is Rs 50,000.

7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 26 May 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.

8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 25 June 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.

9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.

10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 5% per annum.

11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stock-markets.)

12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 19, the last date for the receipt of entries is 8 June 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 19 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**

13. In case of a tie, the money will be divided equally among the winners.

14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.

15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.

16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 13

FIRST PRIZE (Rs 2,500)
YADAV SHETTY
Shetty's portfolio appreciated to Rs 2,77,004.16

SECOND PRIZE (Rs 1,500)
RISHIKANT SINGH
Singh's portfolio appreciated to Rs 2,57,004.16

THIRD PRIZE (Rs 1,000)
P.T. USHABAI
Ushabai's portfolio appreciated to Rs 2,40,000

Several contestants seem to be investing in odd lots without paying heed to rule No 2. Also, too many entries came in late. Nevertheless, Contest No 13 has proved to be propitious to Shetty, Singh and Ushabai. Their strategy was to back low-priced scrips and see their portfolios soar to more than double. The winners have been bullish on Lakshmi Motor Credit (up 200%) and Teem Laboratories (up 157%). To them, as usual, our

Congrats!

INVESTOR CONTEST NO 19 — ENTRY FORM

Name of scrip	Price on 26 May 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

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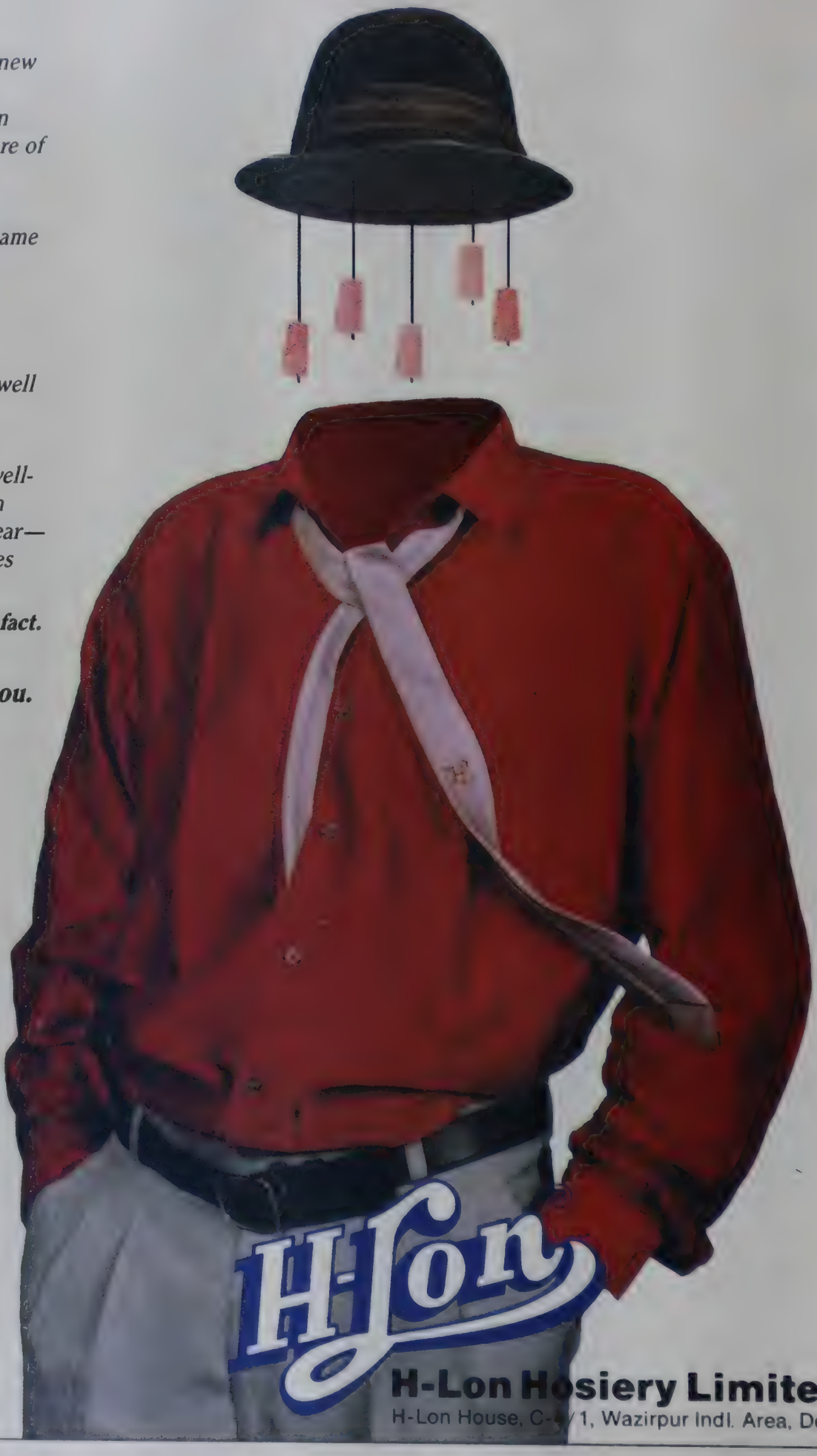
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Concept

AN ATTRACTIVE SCHEME

M. D. MUKHI

Unit Trust of India's (UTI's) unit-linked insurance plan (ULIP) is an attractive investment-cum-insurance scheme. It's available under two plans: one for 10 years and the other for 15.

All resident Indian nationals enjoying good health are eligible to subscribe to ULIP. The maximum maturity is 65 years. In the case of the 10-year plan, the applicant should have completed 12 years of age but should not be more than 55 years and six months at the time of applying; while for the 15-year plan, the applicant should have completed 12 years but should not exceed 50 years and six months. In the case of minors, applications should be made through their parents/guardians.

The minimum target amount — the minimum amount of contributions that can be accepted under the scheme, either in one instalment or over a selected period — is Rs 6,000 with additional investment in multiples of Rs 1,000 under the 10-year plan and Rs 1,500 under the 15-year plan. The maximum target amount is Rs 60,000 under both plans which can be achieved in a single application or a number of applications during the period of eligibility. Investors can opt for either one plan or participate in a combination of both plans as long as it is within the maximum target.

The mode of contribution can be on a yearly or half-yearly basis; with the option of contributing half-yearly under one application and yearly under another. But once this choice is exercised it has to be stuck to. Under the 10-year plan, an applicant has to pay one-tenth of the target amount annually or one-twentieth half-yearly; and under the 15-year plan one-fifteenth and one-thirtieth respectively. Thus the maximum instalment amount per year is limited to Rs 6,000 under the 10-year plan and Rs 4,000 under the 15-year plan. The instalments are required to be paid on the specified dates, with a grace period of 15 days.

The scheme offers the following benefits:

- Dividend will be declared every year, and the amount credited to the investor's account depending upon the units held. At the end of the term, the total number of units standing to the investor's credit will be valued at the prevailing price and released to the investor.
- On maturity, the investor will be paid an additional bonus of 5% on the 10-year plan and 7.5% on the 15-year plan.
- In the case of a member's death before the completion of the plan period, the joint holder will be entitled to the units alongwith the insurance cover. While full life insurance cover is provided from the first day for death by accident, the amount of insurance is limited to the premium paid in case of natural death within the first year.
- The personal accident cover is in addition to the life cover and the amount ranges from Rs 7,500 to Rs 15,000 depending upon the nature of injuries. It is payable irrespective of the target amount.
- Every contribution is entitled to income tax exemption under s.88 of the Income Tax Act, 1961, and dividend income upto Rs 13,000 will be exempt under s.80L as per prevailing rules. Investments in ULIP, alongwith other specified assets, will also be exempt upto Rs 5 lakh under s.5(1) of the Wealth Tax Act, 1957 with no deduction of tax at source.



- Funds parked with the UTI will be absolutely safe and there's no risk of default in payment of the target amount.
- As the units are linked to insurance, transfer facility is not available. But applicants can withdraw from the plan after three years and surrender the units for encashment at the prevailing buy-back rates.
- Banks may advance loans against the security of these units.

The following are the important points pertaining to the scheme:

- Life insurance cover is not available in the event of death, other than by accident, during the first six months.
- In the event of death during the next six months, due to other than natural causes, full insurance cover will be available, but the amount payable would be limited to 50% of the life insurance cover available.
- In case of defaults, participation in the plan will not be terminated; units standing to applicants' credit will be eligible for dividends until the expiry of the plan period, or earlier encashment.
- Even if an investor defaults, membership can be re-instated within 12 months from the due date of the default, by payment of arrears. But life insurance cover available in the first year after the re-instatement will be subject to the same restrictions as for a fresh application.

ULIP is a unique savings plan in the nature of a recurring deposit scheme, particularly for young executives and employees, for compulsory saving, insurance and accident cover, and tax advantages.

• *The author is a Bombay-based investment consultant.*

IN A NUTSHELL

Scheme: ULIP, a unit-linked insurance plan offered by UTI is an investment-cum-insurance scheme, providing compulsory saving, life insurance and personal accident cover.

Minimum & maximum amounts investible: Minimum Rs 6,000 and maximum Rs 60,000. Cheques to be drawn in favour of "Unit Trust of India."

Tax benefits: Under s.88 and s.80L, as per rules; wealth tax exemption upto Rs 5 lakh; and no tax deduction at source.

Liquidity: Cannot be transferred; but can be made paid-up.

Eligibility: All individuals above 12 years, including women with regular income can apply.

Other features: (1) Application money can be paid in lump sum or yearly/half-yearly instalments during the selected period; (2) maturity bonus of 5% under 10-year plan and 7.5% for 15-year plan; (3) age should not exceed 55 years and six months for 10-year plan and 50 years and six months for 15-year plan at the time of application; no medical examination necessary, but declaration of good health and standard age proof to be submitted.

GM's board humiliates top managers in a...

SHAKE-UP

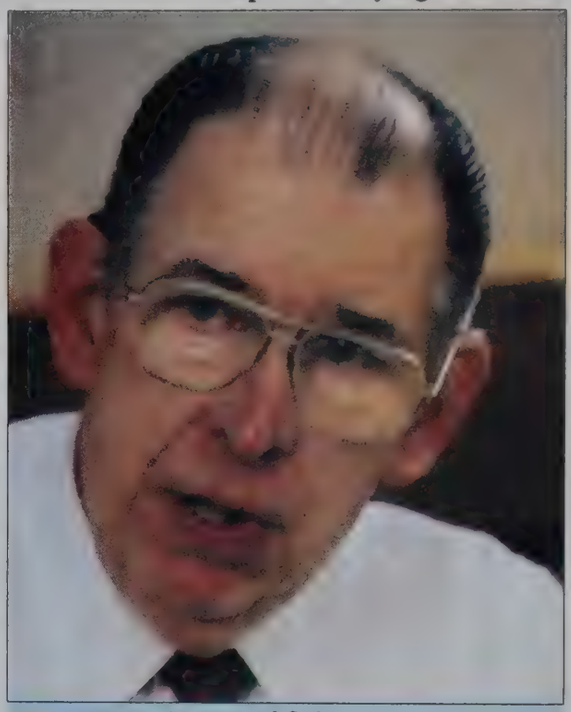
Being on General Motors' (GM's) board of directors must have been a pretty humiliating experience over the past few years. As the world's biggest car company steadily lost marketshare on its home market, it became the target for a barrage of criticism: it was accused of being bloated, lazy and inept. Then last year GM reported a loss of $4.5 billion (Rs 13,950 crore), the biggest in corporate history. In its north American car business alone, the company lost an estimated $8 billion. On 6 April the legendary patience of GM's directors snapped, and they decided it was somebody else's turn to be humiliated — the company's top managers.

In a stunning rebuke to Robert Stempel, who took over as GM's chairman and chief executive two years ago, the board replaced him as head of its own executive committee, giving the powerful post to John Smale, the former boss of Procter & Gamble who has served as an outside GM director for the past 10 years. The board also demoted Lloyd Reuss, Stempel's choice as president, and Robert O'Connell, the company's chief financial officer, removing both men from the board. To drive home the message, the board issued a statement after its meeting that "regaining profitability requires a more aggressive management approach to remove excess costs."

Implausible statement. Stempel himself is now apparently on probation. Though the board's statement claimed that its actions were taken on the "recommendation" of Stempel, this is implausible. As recently as 24 February, he had defended Reuss declaring that "Lloyd's my man." To replace Reuss, the board chose John Smith, the company's vice-chairman and former head of its successful European operations. It replaced O'Connell with William Hoglund, former head of GM's components business, whom Stempel had sidelined a few years ago.

Even worse for Stempel, he now has Smale looking over his shoulder. At Procter & Gamble, Smale earned kudos by shaking up the giant firm's stodgy, bureaucratic management, cutting costs and speeding up new product development — precisely the steps needed at GM.

Before his board so rudely intervened, Stempel was trying to do this.



■ **STEMPEL:** *Target of flak*

Last December he announced plans to close 21 plants and eliminate 74,000 jobs over the next four years. In February he said GM would reorganise its floundering American car business along the lines of its European operations. But this was still too little, too late for a company whose factories are running at well below capacity and whose American car-making business is thought to be losing $700 million a month.

Joining Stempel in the uncomfortable glare of the spotlight at GM will be Smith, who is credited with a startling turnaround of GM's European business, which made nearly $1.5 billion last year. Though Smith, now 54, has worked for GM since 1961, he has spent most of his career outside the cliquey atmosphere of Detroit. That should be a big advantage, says Maryann Keller, a motor-industry analyst at Furman Selz. "It will be easier to make the necessary changes for someone who wasn't bred in the north American system, where loyalties run deep," she says.

Though Smith has plenty of fans within GM, the board's shake-up at the top has rattled nerves among the company's huge corps of managers. In fact, all of GM's 766,000 employees have good reason to shiver. Smith is now almost certain to accelerate the pace of job cuts, and he will probably have to do it through layoffs rather than attrition. He may also push for "givebacks," the withdrawal of benefits already agreed, from the United Auto Workers Union. The labour agreement signed in 1990 provides extensive job guarantees, which limit the costs saved by any factory closures. So far, union leaders have said they have no intention of surrendering these gains. If Stempel and Smith cannot persuade the union to reconsider, before long they may be out of a job themselves. — *The Economist.*

A change of guard may be the right fit for Adidas.

SIDESTEPPING ENCROACHERS

When Bernard Tapie, a pop singer turned financier and socialist politician, was named minister of urban affairs in the new French government on 3 April, the excitement was as palpable in Herzogenaurach as in Paris. The small Bavarian town is home to Adidas, a sporting-goods company Tapie controls. Before France's new government was formed, Tapie had pledged that, if he gained a spot at the cabinet table, he would distance himself from his companies. In Paris the betting was that Tapie would sell his 55% stake in the holding company controlling Adidas. The most likely buyer? Stephen Rubin, chairman of Pentland Group, a British consumer-products company, and the man behind the meteoric rise of America's Reebok,

one of Adidas' fiercest rivals.

Pentland, which bought a fifth of Adidas' holding company from Tapie last August for DM 135 million (Rs 242 crore), wants to take it over. It already has an option on another 5% of the holding company's share, as well as right of first refusal on Tapie's own stake. Moreover, Pentland has deep pockets. At the end of last year, it had £348 million (Rs 2,015 crore) in cash. That should be enough to buy out Tapie lock, stock and barrel.

Rubin, who sold Pentland's remaining shares in Reebok last December, is convinced that he could once again work the magic that turned Reebok into a star. "I'm a believer in reincarnation," he jokes. He would be helped by the fact that Adidas' name and trademark are already well known in 160 countries where it sells sports shoes, clothing and equipment.

Retaining control. But Rubin may not be allowed to work any miracles at Adidas. Shortly after Tapie joined the French cabinet, he said he wanted to keep control of Adidas and announced that Gilberte Beaux, a former female associate of Sir James Goldsmith, an Anglo-French tycoon, would step into his shoes at the firm. Beaux says that Adidas should announce a new strategy in a month or so.

It needs one. Though Adidas swung from a loss of DM 130 million (Rs 241 crore) in 1989 on sales of DM 3.2 billion to a net profit of DM 52 million in 1990, it still has serious problems. Its German sales dropped 7% last year to DM 750 million, a decline which has almost certainly dented its 1991 profits, due to be announced shortly. Stiff competition from America's Reebok and Nike was partly to blame. But, as Beaux admits, Adidas' own clumsy sourcing and distribution did not help.

The man behind Reebok's success wants a controlling stake in Adidas. But Adidas' Tapie is not giving in. At least, not for the time being

But German critics of Tapie reckon the real reason for Adidas' poor performance is Tapie himself. They say that, despite promises to invest DM 300 million in the firm, Tapie has not put one pfennig (a German penny) of new capital into Adidas since he bought it in July 1990. That has made it difficult for Adidas to revamp its ageing products in an increasingly volatile and fashion-conscious market. As a result some top managers, including Adidas' managing director Rene Jaggi, are quitting.

Tapie's reluctance to stump up new money is hardly surprising. On some estimates, he borrowed FFr 1.6 billion (Rs 902 crore) to buy Adidas. Though he has already repaid part of this sum, Tapie must find another FFr 725 million before August. That will not be easy. His own Paris-based holding company has been looking for buyers for some of its other businesses, so far without much success.

This may be an opportunity for Rubin. Rather disingenuously, he claims that he is quite happy with his present "*entente cordiale*" with Tapie. But Pentland's right of first refusal on Tapie's shares, which Rubin demanded when he bought his own stake in Adidas, makes little sense unless Pentland wants to get full control. If he wins Adidas, Rubin will try to find an able manager he can trust, just as he did at Reebok, where he backed Paul Fireman, the dynamic manager responsible for the company's huge success in America. For now, though, Rubin must bide his time. — *The Economist.*



A depressed stockmarket may force Japanese banks and brokerages to take...

THE MERGER ROUTE

The latest collapse in Tokyo stock prices is deeply hurting Japan's banks and securities houses. It could well bring about what years of official deregulation have so far failed to achieve: the effective removal of the wall that separates Japanese banks and brokerages.

A series of bills currently before parliament proposes that banks and securities firms should engage only in parts of each other's business, and then only through specially constituted subsidiaries. But they may be permitted to short-circuit this process through mergers.

How deep an inroad banks will be allowed to make into the securities business — and vice versa — depends upon the enormous discretion that will be left to the ministry of finance (MoF), following the passage of a dozen reform bills currently before the Diet.

These bills have been in the making for a number of years. They represent Japan's response to moves in the US to lessen, though not formally abolish, the divide between commercial and investment banking. But the stockmarket collapse has raised the spectre of systemic risk among both brokerages and banks.

Abolition of article 65 of the Securities and Exchange Law separating the banking and securities business would probably meet with as much opposition in Japan as would the dismantling of the Glass-Steagall

SIEMENS

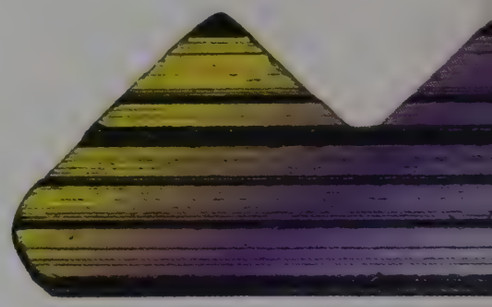
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Act in the US. But the MoF can probably use the current crisis to achieve the same result via administrative discretion. This is what Katsuhito Sasajima at Nikko Research Centre terms "a very Japanese" solution.

A number of smaller securities firms, among the 267 in all, are nearing the official danger level in terms of capital adequacy and there are just as many smaller lending institutions badly exposed to real-estate loans. So rescues from either side of the banking and securities divide appear possible.

Dangerous loopholes. According to Shigeki Kimura, deputy director of the MoF's securities companies division, the new draft legislation



JAPAN'S BOURSES: *Hard times*

"does not deny the possibility" of banks acquiring securities houses and vice versa. This will create what Kaname Seki, senior managing director at the Japan Securities Dealers Association (JSDA), sees as dangerous loopholes in the law unless the MoF moves quickly to plug them. The JSDA is lobbying the MoF vigorously on this issue.

Whereas banks would be legally unable to do retail equity brokerage if they chose to enter the securities business via a specially constituted subsidiary, the MoF is left with the discretion over whether or not to withdraw the brokerage licence from an existing securities company acquired by a bank.

It is likewise unclear whether or not a bank acquiring an existing securities firm will be permitted to retain the equity-underwriting function, another lucrative area which is likely to be denied to banks' newly-constituted securities subsidiaries.

The threat of invasion through acquisition weighs especially hard upon the securities industry. Although major securities firms are still better capitalised to acquire banks than banks are to acquire brokerages, it seems to be accepted that banks are the bigger threat.

The disintermediation of lenders through the development of capital markets in Japan has left banks anxious to secure access to the underwriting of corporate securities and to be allowed to broker them through their branch networks.

The savagely depressed state of the Tokyo stockmarket makes both these activities appear less attractive than they were a year or two ago. But the slump could enable banks to move into the securities business at rock-bottom prices via mergers.

The MoF may be using the threat of allowing banks full access to the securities business via acquisition to punish the securities industry for its involvement in huge compensation scandals in which selected major clients were reimbursed for stockmarket losses.

Relations have been particularly cool between the MoF and Nomura, the securities-industry leader in Japan. According to *Mainichi Shimbun*, the conspicuous lack of action on the part of Nomura in response to the stockmarket's most recent plunge reflects the collapse of the longstanding relationship between the company and the MoF.

It was the further slump of an already bombed-out stockmarket in March — taking the Nikkei stock average to less than 19,000 points, less than half the level it reached at the end of 1989 — that has put so many smaller Japanese securities firms in jeopardy.

The scale of the problem is apparent from the capital-adequacy ratios which securities firms have been obliged to compile every month since April 1990, when Japan came into line with US and British practice by requiring regular monitoring.

The ratio, which is calculated by dividing liquid net worth by a factor of assigned risks, has to be maintained at a level of at least 100%, and the MoF says that 120% is regarded as a danger level. According to the MoF, the industry average ratio at the end of February was 307%, against 325% last September. This seemingly healthy overall average reflects the highly liquid position of the biggest brokers and masks a much poorer position among smaller securities houses. The MoF admits that some houses are currently below the 200% mark and that a few have hit the 120% level.

Medium-sized firms constitute the bulk of the industry, and small firms are the second-biggest category. These are the ones that are most vulnerable to collapse if turnover and prices on the Japanese stock exchanges do not improve substantially. Seki estimates that most brokerages should be able to survive for another year in current conditions. But other industry sources suggest that as many as half the current total could go to the wall within five years.

Fresh capital. The question is where they can look for support. They will require fresh injections of capital and, as only 10% of all securities companies in Japan are themselves listed on stock exchanges, the capital will have to come from founders or associates. Many of the smaller securities firms are affiliates of large brokerages or of banks and insurance companies. Wherever possible, the preferred solution will be to have these affiliates bail out troubled securities firms.

The MoF is leaving itself wide discretionary powers to decide whether banks can play a major role by direct acquisition of majority stakes in brokerages. This suggests that traditional lines of ownership will need to be crossed in shoring up the troubled securities industry.

The big four — Nomura, Daiwa, Nikko and Yamaichi — have forecast that their business results for the fiscal year ended 31 March 1992 will be the worst since 1965. Yamaichi has warned that it will suffer a loss of ¥34 billion (Rs 782 crore) compared with a recurring profit of ¥68 billion the previous year.

Most small brokerages are currently losing money. Sasajima says that trad-

ng in the Tokyo stock exchange's irst-section stocks must average 400 nillion shares a day for most firms to reak even. Turnover has been below hat level for nearly a year.

By contrast, leading margins have improved for Japan's principal commercial or "city" banks, as deposit-rate declines outpaced lending-rate reductions. This should help them finance their entry into the securities business.

Banks are eager to secure access to corporate underwriting. And, though securities firms are equally eager to limit banks to underwriting in the domestic straightbond market, the banks could find themselves jumping straight into equity underwriting soon, via the acquisition route.

Banks have their own problems induced by the stockmarket collapse. With the Nikkei average at its present level and at the current yen-dollar rate, most city banks are below the minimum 8% capital-adequacy ratio mandated by the Bank for International Settlements (BIS).

A view is gaining ground, however, that the BIS will move to relax its requirements, in response to pressures on US banks as well as Japanese ones. Akio Mikuni, who runs an independent credit-rating agency in Tokyo, believes Japanese banks will solve the problem by shedding assets through the bond and commercial paper markets. — *Far Eastern Economic Review.*

Europe's food business is in for a shake-out.

IN A SOUP

Since the mid-eighties, the world's biggest food companies have been gobbling up smaller European firms as if they were so many canapes. If it is approved by the European Community (EC), Nestle's FFr15 billion (Rs 8,400 crore) takeover of Perrier will be only the latest in a string of costly acquisitions made by the industry's giants, including Unilever and Philip Morris, in an attempt to gain the edge in Europe's $700 billion (Rs 21,70,000 crore) food market. Hundreds more acquisitions, by big and small companies alike, are expected this year. But many such deals have already gone sour. Especially in the case of smaller companies, swallowing a competitor can cause more indigestion than delight.

According to OC&C, a consultancy, there were 463 food-industry mergers and acquisitions in Europe during the year to 30 June 1991, 11% more than the previous year. All firms, big and small, seem to believe that they must grow bigger; and, with the approach of Europe's single market, growing big usually means becoming multinational too — a third of 1991's deals were across European borders. There is more consolidation to come. Despite the takeovers of the eighties, Europe's top 20 food processors account for just 12% of a market in which 100,000 companies compete.

Winning marketshare. The logic behind food-industry acquisitions is simple. European food markets are stagnant; to grow, a company must win marketshare from its competitors. That is no easy task in a market with well entrenched brands. In Europe the top two brands in most categories have been leaders for years, if not decades. Hence the attraction of buying rival brands and saving on unit costs by shedding factories and jobs.



Brands are not the only reason for being big. As the food industry has consolidated, so has the retail world. In the UK, the top five retailers, led by Sainsbury, control 60% of the market. As the power of supermarkets grows, small food companies lose out because big advertising and promotion budgets come to count for more.

So far the biggest food companies have done respectably well. Unilever and Nestle have skilfully integrated acquisitions, though the jury is still out on Philip Morris' $3.8 billion purchase in 1990 of Jacob Suchard, a Swiss coffee and chocolate company. But among the second tier of food companies busily buying across Europe — including France's BSN, UK's United Biscuits and the US' Campbell Soup — success has been elusive. Jim Grover, an analyst at OC&C, says that companies which have frequently paid 20-25 times historic earnings for acquisitions are learning that they have "overpaid dramatically."

The stockmarket agrees. The share prices of three of the most acquisitive UK food companies — Hillsdown Holdings, Hazlewood Foods and Albert Fisher — rocketed during their buying sprees in the eighties. Since the start of 1990 they have dropped sharply, while those of other food companies have climbed. Nor are there many delusions of grandeur left inside the big-but-not-behemoth food companies; even those who believe their deals were sensible admit they were a mite too optimistic. Others, such as Campbell and Borden, another US firm, have sold Europen acquisitions made just few years ago.

Ill-conceived deals. Some deals were ill-conceived from the outset. Buyers overestimated the value they could add to their prey by cutting costs and saving on product development. Other deals have been justified as defences against acquisitive competitors. In 1990 United Biscuits bought Verkade, a Dutch biscuit maker, partly because it feared the rapid expansion of BSN, which over six years had grown into Europe's biggest biscuit maker. After two difficult years, United Biscuits says the deal is starting to pay off. Analysts remain unconvinced.

Some companies simply overhauled brands, especially in cross-

border deals. European tastes remain diverse, though buying brands may pay off in a national market -- as it seems to have done for UK's Cadbury, a sweets-and-soft-drinks firm. Cadbury has successfully absorbed two local confectionery rivals, Trebor and Bassett's. But using an acquisition as a platform for selling a brand from one country into another has proved difficult.

One example is BSN's attempt to use UK's Jacobs Bakery to sell its French products in the UK, which has flopped. BSN may have failed because British consumers are reluctant to try French biscuits; but its failure may also reflect the growing power of own-label products. Because of their high quality and low cost, these have moved into third place in many food categories. In the UK shops such as Marks & Spencer and Tesco have nationally recognised own-brands that are putting pressure even on market leaders. Peter Mensing, a food-industry consultant at Booz Allen & Hamilton, reckons that as something similar happens in continental Europe third- and fourth-rank brands will wither away. — *The Economist.*

Will McDonald's (Japan) go public?

FAST-FOOD FILLIP

To list or not to list — that is the ¥85 billion (Rs 1,955 crore) question which McDonald's Co (Japan) must grapple with as it enters its third decade of operation this year. Analysts reckon that the nation's largest fast-food chain would be worth at least that amount if its 65-year-old president and dominant individual shareholder Den Fujita decides to float the company.

The pay-off from an initial public offering (IPO) would provide critical new capital for Fujita's budding businesses in toys and video rentals with two US companies — Toys 'R' Us and Blockbuster Entertainment. Moreover, his sons could avoid Japan's formidable inheritance taxes of up to 70% if McDonald's (Japan) became a publicly listed company.

But the downside is that Fujita's single-handed running of the company would be subject to greater public scrutiny. And then there is the problem of timing. The tumbling Tokyo stockmarket has no appetite for the big new issue reportedly under consideration by McDonald's (Japan).

Despite such gloom, the company appears to be preparing for a listing, say investment analysts in Tokyo. They point to the company's aggressive marketing campaign beginning in late 1991, which has been interpreted as a move to enhance its image prior to listing.

Aggressive plans. Fujita has denied the reports, claiming that as long as he lives he will never let the company go public. Fujita controls 50% of McDonald's (Japan) through his personal 10% stake in the company and the



40% held by Fujita Shoten, his 70%-owned investment holding company. But analysts claim that his aggressive expansion plans cannot be easily achieved without an infusion of outside capital.

McDonald's (Japan) is one of the nation's biggest companies, with sales of ¥207.3 billion and recurring profits of ¥13.1 billion in the fiscal year ending 31 December 1991.

Fujita started his career in the sixties as an importer of handbags and other fashion goods. He opened his first McDonald's outlet in Tokyo's prestigious Ginza shopping district in 1971 amid a chorus of criticism that a western-style fast-food business would remain in business for only a matter of weeks. Fujita silenced the doubters by breaking even in the fourth year. Sales and profits have grown rapidly since then.

Despite the entry of more fast-food rivals and slower growth in burger consumption in Japan, McDonald's (Japan) had been consistently No 1 in the industry. Fujita says the fast-food market is far from saturated, based on his estimate that every commercial area with 30,000 customers can support one McDonald's outlet, or 4,000 throughout Japan (there are 900 now). He plans to increase the company's local sales to ¥300 billion by 1994, or about 11% growth each year.

But Fujita for some time now has been plotting ways to expand beyond the fast-food business. In November 1989, he decided to team McDonald's (Japan) with Toys 'R' Us, the world's largest toy retailer, to set up a toy chain with a target of at least 11 shops in Japan over the next two years.

Then, in March 1991, Fujita set up a 50:50 joint venture between Fujita Shoten and Blockbuster Entertainment to start a video-rental franchise business. Its target: 1,000 outlets countrywide by the turn of the century. US-based executives at Toys 'R' Us and Blockbuster Entertainment say they chose Fujita as their partner because of his reputation as an entrepreneur willing to challenge existing practices in Japan.

Another ambitious plan of Fujita is to build entertainment centres at major highway junctions around the country, with the "Golden Arches" and his video and toy businesses under one roof in malls with spacious parking lots. This expansion is being led by McDonald's (Japan). The first such mall is being built on the outskirts of Tokyo.

New concept. The concept is a new one for Japan and will require a lot of extra cash. For three decades, Fujita has been able to finance the expansion of his hamburger chain through the cash-flow generated by the highly profitable business. But new ventures such as these will require more capital.

Brokers says that McDonald's (Japan) should have gone public in the early eighties, when the fast-food business was still a young industry with few major players. Others point to the success of Japan Kentucky Fried Chicken, which went public as recently as August 1990. — *Far Eastern Economic Review.*

NEWS BRIEFS

■ In a bid to stay afloat, the Belgian state airline **Sabena** has signed an agreement with **Air France**. The company hopes the link will lead to closer commercial and management cooperation between the two airlines. Air France and its Belgian financial partners will inject $179 million and take a 37.5% stake in Sabena. The Belgian government will provide a further $268 million.

The deal was pulled off amidst stiff political opposition about the French participation. In 1991, Sabena had made an operating profit of $63.36 million after a 1990 loss of $212.71 million. Says company chairman Pierre Godfroid: "The airline was like a phoenix rising from its ashes."

■ The Anglo-US conglomerate **Hanson** has lost its charge. The company has sold its subsidiary Ever Ready, the UK dry cell battery manufacturer, for £132 million to **Ralston Purina**, the diversified US-based food group.

Ever since it acquired Ever Ready 10 years ago, the company had put in a lot of effort to make it competitive. Hanson drastically restructured the company, cutting jobs, investing in high-speed production lines and developing new brands Blue Seal (the largest rival to competitor Duracell) and Silver Seal, a longer-lasting zinc carbon battery. The company also worked on reducing the mercury content of batteries.

But Ever Ready's woes began when it failed to diversify into the most lucrative and fast-growing segment — alkaline, long-life batteries — where competitors made merry. It ultimately had to sell the outfit when it realised that profits would take a beating in the long run. Ralston's purchase of Ever Ready makes it the world's largest manufacturer of dry cells and the acquisition is expected to add $154.1 million to its hefty $1.6 billion bottomline.

■ Japan has reported a record monthly **trade surplus** of $10.98 billion for March, bringing the surplus for the full fiscal year to $88.35 billion (a 62.7% increase). This could further escalate the trade war friction with the US.

Japan's slowdown in domestic growth has caused exports to outstrip imports. And the US deficit in bilateral trade last year crept up from $38.12 billion to $38.46 billion, following a 1.1% increase in exports from Japan. To placate the US, Japan's trade and industry minister Kozo Watanabe has promised to rekindle domestic growth in an attempt to halt booming exports.

The most significant gains in Japanese exports last year were in cars (7.7%), video cameras (16.1%), semiconductor equipment (12.3%) and chips (22.6%).

■ Gripped by a four-week period of pre-election blues, UK's financial markets have witnessed a surge after **John Major's** comeback. Shares, sterling and government bonds (gilts) are looking up, indicating investors' belief that the Conservative government's return could pave the way for an economic recovery. According to *Financial Times*, billions of pounds have started to pour into gilts from investors in Britain and around the world who reacted with relief to the news that the Conservative government has been returned with a clear majority.

The stockmarkets were jubilant: on the London stock exchange, two days after the Tory win, the *FT*-SE 100 index of leading shares shot up by 136.2 to 2,572.6, the biggest one-day rise since October 1987. The euphoric mood was reflected in gilts and sterling as well. Gilts closed up to four points higher, enabling the Bank of England to sell up to £4 billion worth of bonds during the day. The sterling also rose against the deutsche mark (DM) by nearly 3 pfennigs, closing in London at DM 2.885.

But the economic recovery could still take some time. Cautions UK-based economist Michael Saunders: "We are unlikely to see the economy steamroller away."

■ The Mexican government is banking on large-scale reforms. As part of its ambitious **privatisation programme**, it has sold over 66% of its stake in Banoro for $366 million, making it the 15th bank to be privatised. The bank was bought by a syndicate of 600 investors comprising the main stock holders and clients of Estrategia Bursatil, one of Mexico's oldest brokerage firms.

The remaining three government-owned banks — Banco Internacional, Banco del Centro and Banco del Norto — will also be sold by mid-1992.

■ **Rolls-Royce**, the UK-based aero-engine manufacturer, is revving up. The company has bagged a $500 million order for its heavy-thrust Trent engines from Cathay-Pacific, the Hongkong-based airline.

For Rolls-Royce the Cathay order comes as a shot in the arm. Last year it had lost a huge British Airways engine order for 777 aircraft to its US-based competitor General Electric. Rolls-Royce has been making amends since then; it has undergone drastic restructuring over the past two years to remain competitive. And the results are showing. Orders have flown in from Emirates Airways, the Dubai-based airline and Thai International Airways for its Trent engines.

And more are pouring in. Robert Fleming, a UK-based investment management company which is setting up a joint stock aircraft company in Russia, has chosen Rolls-Royce to supply engines for its new TU-204 aircraft. The 200-seater TU-204 passenger aircraft will be fitted with Rolls-Royce RB211-535 engines, a deal worth £490 million.

■ **MAJOR**: *Tough task ahead*





P.K. Ray has taken over as general manager of Modi Cement.



S.K. Jain has been appointed deputy managing director of LML Fibres.



Subhash R. Gupte has joined the UB group as executive vice-chairman.



K. Kannan has been appointed executive director of Dena Bank.



Anil Kaul has been appointed general manager of The Oberoi Bangalore.



A.K. Lakhanpal has taken over as chairman & managing director of Lakhanpal National.



M.P. Mascarenhas has taken over as commercial director of Air India.



Ashok Vaish has been appointed director (corporate planning & quality enhancement) of Air India.



Gautam Chadha has taken over as director (sales) of USAir in India.



Tapan Mitra has been elected chairman of the eastern region of the Confederation of Indian Industry.



Rajan Vaswani has been elected deputy chairman of the eastern region of the Confederation of Indian Industry.



Biswajit Chakraborty has been appointed sales manager of The Oberoi Bangalore.

VIDEOCON

VIDEOCON APPLIANCES LIMITED, India's largest manufacturer of Washing machines, which has diversified into manufacture of Air Conditioners and has recently launched the country's first NO-FROST Refrigerator, **now plans to offer a full range of domestic/kitchen appliances of international quality.**

AGM (OPERATIONS) — BOMBAY/AURANGABAD

mps have been retained by **VIDEOCON APPLIANCES LIMITED** to assist in the selection of four Operations Chief to head 4 separate Product Divisions, each catering to a distinct group of Kitchen/Domestic Appliances.

The incumbent will have total operations responsibility encompassing production, materials/ vendor development, logistics, product design, engineering, quality and accounts. The position **reports to the Chief Executive.**

Aspiring candidates should be graduate engineers, around 40 years, having 18/20 years of experience of which at least 5 years should have been as the head of manufacturing operations with total responsibility for all related functions as mentioned above. **Hands - on experience in materials procurement/vendor development/product engineering & design is essential.**

Persons having previous experience in the kitchen/domestic appliances industry will have a definite advantage.

This is a high - pressure and demanding assignment calling for proven abilities in leading a team of managers and co-ordinating a varied mix of activities to meet exacting standards of product quality and delivery schedules in a highly competitive environment.

Selected candidates will have full freedom of operation within the overall parameters of specified performance objectives. **The positions carry an attractive compensation package comparable to the best in the industry.**

Please send your detailed bio-data, within 15 days of this advertisement, mentioning 2 non-relative references, to



hemendra k. varma
management productivity systems
post box 9313
bombay 400 036



HOW GOOD A LEADER CAN YOU BE?

Perhaps the TVS SUZUKI that you know, is a tough, highly professional company with a turnover of around Rs.175 crores, and a healthy growth rate.

Now, meet the other side of TVS SUZUKI.

The side that considers people, its most valuable asset.

That believes that a successful performance is only a reflection of the people behind it.

In short, total teamwork.

Today, as the company is poised for further expansion, it looks towards a rare professional.

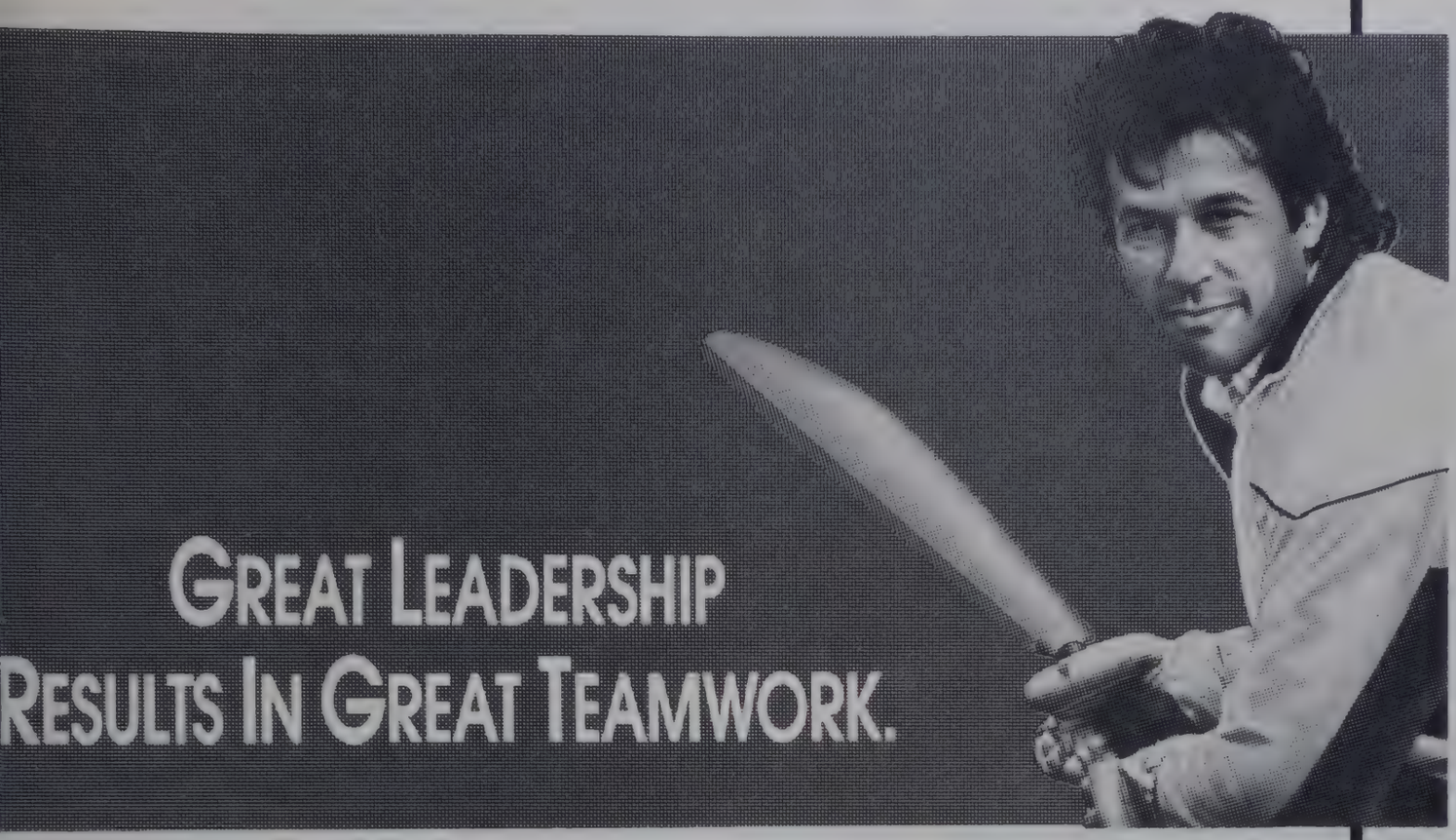
A man capable of motivating and inspiring his team to great performances.

Both, on and off the field.

In his role, as:

NATIONAL SALES MANAGER – BANGALORE

You will be someone with a proven track record. Who's



GREAT LEADERSHIP RESULTS IN GREAT TEAMWORK.

already notched up many successful innings. And delivered the goods time after time.

You should have had hands-on Sales management experience at a National level for a minimum of 5 years , and at Regional / Zonal level for about 10 years, preferably in a consumer product/consumer durable company.

It is essential that you cope well in a target oriented environment and withstand strenuous work pressure.

And set the perfect field.

Compensation for the above post will be extremely attractive and not a constraint for the right person.

Please get in touch with us immediately. Send in your bio-data, to:

TVS SUZUKI

The President
TVS-Suzuki Limited
6th Floor, "Jayalakshmi Estates",
8 Haddows Road, Madras 600 006.

Contract TVS_21195.92

ABC's major specialisations include Corporate Consultancy

GENERAL MANAGER - Designate

Tea Industry

We have been retained by a highly reputed, fast expanding, **Ahmedabad – based Tea Blending and Packaging Company** to select a seasoned GM for their proposed **Calcutta Office.** Our Client enjoys regional leadership in the branded tea market. Current annual group sales turnover is Rs 40 Crores. A major thrust into export markets is envisaged.

He will start Calcutta Operations from scratch and will report to Directors at Ahmedabad. His key result areas will be to (a) Procure tea through auctions in **Calcutta** and **Guwahati** (b) Ship export consignments after relevant documentation (c) Liaise with various Government & Semi-Government Authorities (d) Provide market intelligence. He should be suitably qualified with hands – on procurement/export experience in reputed tea companies. Above all, the candidate should be **a go – getter** with good analytical, strong interpersonal and commercial skills. Age Group 35 – 45.

Total emoluments will be handsome & negotiable. Please apply in strict confidence within 7 days to **Mr T Sengupta, General Manager** and mark the envelope & enclosure with job title & code GMD/VDR/1001.

ABC CONSULTANTS PRIVATE LIMITED

43/3, Hazra Road, Calcutta 700019, PBX 753688/89

New Project Development • Techno Economic Feasibility Study

Manpower Audit & Planning • Managerial Appraisal • Salary Survey

ABC's major specialisations include Corporate Consultancy

6 INDUSTRIAL ENGINEERS

Bombay, Delhi, Calcutta, Madras, Baroda

To support planned & rapid growth, ABC is actively looking for **young management consultants** with the following specifications :

a) Bright M Tech(IE)
b) Age Group 28 – 30
c) Min 3 years Industrial/Consulting Experience
d) Analytical with excellent communication skills
e) Passion for Problem Solving
f) Current emoluments upto Rs 1 Lakh

ABC provides **intellectually stimulating,** professionally rewarding and non – hierarchial environment for learning & career growth. Please write to **B P Agrawal, Chairman** and mark the envelope & enclosures with job title & code IE/BPA/3155. Particulars of age, education, current position & responsibilities, emoluments drawn & expected should be clearly mentioned in a structured biodata. All correspondence must be made through courier/speed post and contact telephone numbers mentioned, as requirements are **most urgent.**

ABC CONSULTANTS PRIVATE LIMITED

43/3, Hazra Road, Calcutta 700019, Phones 753688/89

New Project Development • Techno Economic Feasibility Study

Manpower Audit & Planning • Managerial Appraisal • Salary Survey

RASHTRIYA ISPAT NIGAM LIMITED
VISAKHAPATNAM STEEL PLANT
VISAKHAPATNAM

Employment Notification No. - 3/92

VSP, a 3 million tonne integrated Iron & Steel Plant, now commissioning its II Phase units, needs professionals for the following senior positions :

(A) GENERAL MANAGER (MATERIALS MANAGEMENT) :

Pay Scale : Rs.7250-200-8250/- (E-8)

(B) DEPUTY GENERAL MANAGER (PERSONNEL) :

Pay Scale : Rs.6500-175-7725/- (E-7)

(A) GENERAL MANAGER (MATERIALS MANAGEMENT) :

The incumbent will head the Materials Management function consisting of Purchase, Stores, Inspection and Transport & Shipping Departments.

The candidate should have a Degree preferably in Engineering. Professional Qualification in Materials Management/Business Administration/Law will be an added advantage. Knowledge and experience in Computers on Materials Management is essential.

We are looking for a dynamic and result oriented professional, possessing around 22 years experience in Materials Management function either in an integrated Steel Plant or any other large sized industrial establishment, of which atleast 5 years should be in a senior position. Applicants from PSUs or other Govt. Departments should have spent atleast one year as DGM in E-7 grade i.e. Rs.6500-175-7725.

(B) DEPUTY GENERAL MANAGER (PERSONNEL) : The candidate should possess a Bachelor's Degree in any discipline, with Post-graduate Degree/Diploma in Personnel Management/Industrial Relations/labour Welfare/ Business Administration with specialisation in Personnel Management, from a recognised University/Institution. In addition those having a degree in Law will be given preference.

The candidate should have around 18 years experience in Executive/Managerial positions (of which atleast 3 years in a senior position equivalent to the post of Asst. General Manager in E-6 grade i.e. (Rs.6250-175-7475) in a labour intensive industrial undertaking, preferably an integrated Steel Plant. He should possess thorough knowledge of labour and Industrial Legislation and adequate experience in Industrial Relations covering negotiations with the trade unions, disciplinary methods, handling conciliation/adjudication proceedings etc. and employee welfare. He should be able to assist the top management in the formulation and implementation of Human Resources Strategy, aimed at furthering and stabilizing the efforts at building a productive work culture.

Besides basic pay in the above scales of pay, the posts carry Industrial DA and benefits like Company House/House Rent Allowance, free Medical Benefits, Leave, Leave Encashment, leave Travel Concession, Reimbursement of Local Travel Expenses, Canteen Subsidy, advance for House Building and Purchase of Vehicle, CPF, Gratuity etc.

Application on plain paper furnishing particulars like (i) Name, (ii) Date of birth, (iii) Present & Permanent Address, (iv) Qualifications (examination passed from Matriculation onwards) and (v) Experience related to the post along with details of pay drawn etc. may be sent to Dy. Manager (Personnel), Executive Recruitment Section, Administration Building, 'B' Block, Rashtriya Ispat Nigam Ltd., Visakhapatnam Steel Plant, Visakhapatnam 530 031, within 15 days of the publication of this notification.

Candidates called for interview will be paid single 1st Class to and fro railfare by the shortest route.

Indian Petrochemicals Corporation Limited

(A Govt. of India Undertaking)

Requires

ADVT. NO. HRD/R/92/

Qualified and experienced personnel in the areas of Corporate Communications and Plastics Applications

Indian Petrochemicals Corporation Limited (IPCL), a State owned organisation is a leading entity in corporate circles in India with a sales turnover of Rs. 1950 crores and a gross profit of Rs. 379 crores posted in 1991-92.

IPCL was rated as the world's best performing petrochemical company in 1990 and the third best in 1989 by Chemical Insight, London.

IPCL's business portfolio comprises petrochemicals, engineering plastics, catalysts, wire and cable compounds, corrosion and inspection consultancy and external training contracts. These are based on own investments, acquisitions and joint ventures with Pasteur Merieux, France (human viral vaccines); General Electric Plastics, B.V., The Netherlands (advanced engineering plastics); Gujarat Industrial Investment Corporation Ltd. (chemical port terminal).

IPCL is set to grow from its turnover of Rs. 1950 crores to Rs. 3000 crores and on gross assets from Rs. 2348 crores to approximately Rs. 7000 crores which will comprise the existing naphtha based petrochemical complex at Vadodara (Gujarat), a Rs. 1390 crores gas based petrochemical complex at Nagothane (Maharashtra), and a third Rs. 3485 crores gas-based petrochemical complex at Gandhar (Gujarat).

The Corporation invites applications from result-oriented dynamic candidates fulfilling the requirements for the positions indicated below.

CORPORATE COMMUNICATIONS

The job responsibilities include (i) development and implementation of Corporate Communication Plans; (ii) development and implementation of external and internal communications packages oriented to national and international audiences on various functions of the Corporation and its associated Companies/business activities; (iii) organise communication events such as exhibitions, trade fairs, media meets, conferences, tours, advertisement campaigns etc.; (iv) organise and manage internal communications.

(1) SENIOR CORPORATE COMMUNICATIONS MANAGER

The selected candidate will head the Corporate Communication Group with headquarters at Baroda. The job responsibilities require excellent oral and written communications skills, ability to scan and analyse social, economic and business environment, public and media relations, and exposure to publicity techniques. The incumbent will need to have high degree of initiative, leadership qualities and be ready to shoulder higher responsibilities.

Candidate should have full time post graduate degree/diploma in Journalism/Public Relations/Mass Communication from a recognised Institute/University and a minimum of 17 years of professional experience in media-related activities. Knowledge of Hindi and Gujarati is preferable.

(2) SENIOR COMMUNICATIONS OFFICER / COMMUNICATIONS OFFICER

The incumbent would be supporting the Head of Communications in his functions and is expected to possess excellent abilities in the areas of written and oral communications, public relations, analytical and media-related activities.

Candidate should have full time post graduate degree/diploma in Journalism/Public Relations/Mass Comunication from a recognised Institute/University and a minimum experience of 1/5 years in media, related activities. Knowledge of Hindi/ Gujarati/Marathi is preferable.

PRODUCT APPLICATIONS & DEVELOPMENT (PLASTICS)

The job responsibilities include applications/development and promotion of various types of Plastics for the Engineering and consumer sectors. New applications, development of new products, customer services, process technology etc., in the fields of construction materials and consumer appliances will be the key areas.

(3) PRODUCT APPLICATIONS & DEVELOPMENT ENGINEER

Candidate should have a degree in Plastics Engineering/Technology or an Engineering degree in any discipline with Diploma in Plastics Engineering from a recognised Institution like CIPET etc., with a minimum of 1 year post-qualification executive experience in the field of processing of commodity plastics, preferably in injection moulding.

EMOLUMENTS & AGE LIMIT :

Position	Scale of pay (Rs.)	* Total Emolument at the minimum of the scale (Rs.)	Age limit as on 31-12-91	
			Gen	SC/ST
Sr. Manager	5700-7450	6380/-	45	50
Sr. Officer	3450-5770	4130/-	40	45
Officer/Engr.	2500-5210	3180/-	35	40

* includes Basic Pay and Industrial Dearness Allowance.

Besides the emoluments other fringe benefits like House Rent Allowance or Company Housing, Reimbursement of Local Travel Expenses Leave Travel Concession, Contributory Provident Fund, Group Insurance Coverage will be admissible according to the rules of the Corporation.

DESERVING CANDIDATES MAY BE CONSIDERED FOR A HIGHER INITIAL START IN THE SCALE. AGE RELAXATION MAY ALSO BE CONSIDERED IN THE CASE OF EXCEPTIONALLY SUITABLE CANDIDATES.

GENERAL:

If the number of applications received in response to the advertisement is large, the Corporation reserves the right to restrict the number of candidates to be called for interview to a reasonable limit on the basis of qualification and experience higher than the minimum prescribed in the advertisement.

RESERVATION & RELAXATION:

Deserving SC/ST candidates will be given preference. For all the above positions, panels of selected candidates will be prepared and reservation of posts will be @ 16.6% for SCs and 7.5% for STs. Experience requirements for SC/ST candidates will be relaxed by 2 years for positions at the levels of Sr. Manager & Sr. Officer and by 1 year for position at the level of Officer/Engr.

HOW TO APPLY:

Candidates meeting with the requirements may send their applications with detailed bio-data, passport size photograph and copies of credentials in confidence to the **Deputy Manager (HRD) Indian Petrochemicals Corporation Limited, Post Box No. 2008 Vadodara-390 002 (Gujarat)** within 15 days. The envelope containing application may clearly be superscribed with the Advertisement No. HRD/R/92/06 and the post applied for.

Those working in Central/State/Semi-govt./Public Sector organisations should route their applications through proper channel.

Candidates called for personal interview will be reimbursed first class railfare by the shortest route.

ONLY INDIAN NATIONALS NEED APPLY

TV ADS

TECHNICAL DIRECTOR FOR A PHARMACEUTICAL COMPANY

One of India's largest and most reputed pharmaceutical companies located on the West coast of India and having multiple overseas collaborations is currently looking for an experienced and dynamic **TECHNICAL DIRECTOR** to take complete charge of quality control, identification and development of new processes and products, R & D activities including pilot plant trials, etc., for its multi-site/multi-product establishment. The person we are looking for should be ambitious and a genuine expert with an excellent track record in pharmaceutical sciences as applicable to both synthetic bulk drug and formulation. He must be capable of leading a team of highly qualified scientists to enable the company to retain its technological lead over competitors.

The company has a wide product range and a sound record of development of new formulations/synthetic drugs over the years.

This is a very senior level appointment in the company hierarchy.

Persons interested may apply to Box No. 770
BusinessWorld, 6, Prafulla Sarkar Street , Calcutta-700001

ABC's major specialisations include Corporate Consultancy

CHIEF EXECUTIVE

Baroda

Our client is a well reputed professionally managed Business Group. They are setting up a hitech **Advanced Fluid Handling System Project** in collaboration with a giant U S Corporation. Commercial production will commence in August 1992. They now wish to appoint a seasoned professional to head this unit as CEO in Baroda.

He will report to the MD and operate as profit centre head. His key result areas will be to (a) Develop vendors for all casting/forging items (b) Ensure stringent quality management (c) Absorb foreign technology to upgrade product quality on continuous basis (d) Explore & develop new businss to ensure sustained growth, etc. Should be an Engineer with 12-15 years of relevant experience in **Petrochemicals, Refineries Fertiliser Industries.** Age group 38-45.

High performer will have rewarding career prospects. In addition to handsome remuneration (which includes Housing & Car) excellent performance bonus will be paid subject to achievement of agreed targets. Please write in strict confidence to **T Sengupta, General Manager** within 10 days & mark the envelope & enclosures with job title & code CEO/CAL/4178

ABC CONSULTANTS PRIVATE LIMITED
OSU 106 Offtel Towers, R C Dutt Road, Baroda 390 005

New Project Development ● Techno Economic Feasibility Study

SWOT Analysis ● Organisational Restructuring ● MIS

Manpower Audit & Planning ● Managerial Appraisal ● Salary Survey

Bhalotia BTW

We are a fast growing industrial house
with diverse interests and ambitious
expansion and diversification plans
with a present Group turnover exceeding Rs.700 millions.

We are looking for
following dynamic, bright and result oriented persons
to strengthen our Share Department:

COMPANY SECRETARY

Post Code : BTW / CS

and

ASST. COMPANY SECRETARY

Post Code : BTW / ACS

Members of the Institute of Company Secretaries of India with suitable experience in a Company of repute having not less than 25,000 Shareholders, having exposure to Public Issue and capability to handle all Secretarial and Legal functions independently.

SECRETARIAL OFFICERS

Post Code : BTW / SO

Graduates with a minimum 5 years experience in Share Department of a Company of repute. Working knowledge of Company Law matters will be an added advantage.

AND

PERSONAL LADY SECRETARY

to the Chairman

Post Code : BTW / PS

Graduate, proficient in Stenography, having good command over English, charming and bright with a minimum 7 years experience in a Company of repute. Should be able to efficiently operate Electronic Typewriter, Fax, Telex. Working knowledge of PC will be an added advantage.

An attractive compensation package will be offered.

Interested persons should apply with their complete Bio-data and a recent passport size photograph, marking the envelope with the respective post code, to :

BTW INDUSTRIES LTD
'Landmark', 10th Floor, 228A A J C Bose Road
Calcutta 700 020

PRESSMAN

HIGH-CALIBRE PROFESSIONALS FOR L&T-NIRO JOINT VENTURE

Larsen & Toubro Limited is setting up a joint venture company in collaboration with NIRO AS, Denmark – world leaders in drying technology.

The new venture will market and manufacture a wide range of products including dryers, homogenisers, granulators, evaporating plants... for the dairy, food, pharmaceutical and chemical industries.

A manufacturing unit will soon be set up near Baroda. The Company requires the following personnel:

Company Secretary

Successful candidate will assume charge of secretarial and accounting functions. Job also involves providing management services to the chief executive including performance reporting and analysis of the operations, evaluation of market opportunities, investment decisions...

Qualifications: Chartered Accountants with additional qualifications as ACS.

Experience: 5-10 years in a similar function with reputed medium size companies.

Age: below 35 years. *Ref. No. LTN/1*

Shift In-Charge

Selected persons should be familiar with fabrication/welding processes/techniques, applicable codes and finishing operations involving polishing required for dairy, food processing and chemical plant equipment. Ability to handle labour matters effectively and train new workmen essential.

Qualifications: Degree/Diploma in Mechanical Engineering.

Experience: 5-10 years in fabrication operations, preferably on stainless steel equipment.

Age: below 35 years. *Ref. No. LTN/2*

Maintenance In-Charge

Selected candidate will assume charge of the maintenance activity of plant and machinery. Job calls for administrative skill and technical competence in mechanical maintenance, overhauling and rebuilding of general machine tools, fabrication equipment such as plate bending rolls, hydraulic presses, shearing machines and welding sets, cranes, high frequency units, cutting machines, electric and electronic controls and installations. Ability to carry out trouble shooting work effectively and familiarity with CNC controls essential. Experience in HT switchgear, an advantage.

Qualifications: Degree in Engineering.

Minimum experience: 8 years relevant experience in a medium/large reputed engineering organisation. Diploma holders with similar background with over 12 years experience may also apply.

Age: below 35 years. *Ref. No. LTN/3*

Engineers – Project Execution

Job involves design, detailed engineering, planning and coordination, manufacture, inspection, installation and commissioning of plant and systems for diverse industries including dairy, food, pharmaceutical and chemical industries.

Qualifications: Degree/Diploma in Mechanical Engineering.

Experience: 2-3 years for Degree holders and 5-7 years for Diploma holders in design and project engineering with equipment manufacturers, consultants, project groups of medium/large scale engineering companies handling turnkey projects.

Age: below 30 years. *Ref. No. LTN/4*

Purchase Officer

Job involves purchase of raw materials,

components, sub-contracting... Knowledge of commercial tax matters, MODVAT, works contracts essential. Exposure to materials management activities such as vendor development, usage of computerised systems, inventory control desirable. Selected person will be actively involved in liaison work in the initial stages of the project.

Qualifications: Degree in Mechanical Engineering.

Experience: 5-8 years in Purchase/Stores Department of a leading engineering company.

Age: below 32 years. *Ref. No. LTN/5*

Engineers – Marketing

Job involves marketing of drying plants, systems and equipment for dairy, food, pharmaceutical and chemical industries. Successful candidate will also be involved in coordination with collaborators, manufacturing units and other agencies during pre-ordering and execution.

Qualifications: Degree in Mechanical/ Chemical Engineering.

Experience: 5-7 years in reputed engineering companies dealing in process engineering or marketing of equipment such as dryers, homogenisers, granulators and evaporating plants. Technical competence and a successful record of negotiating for capital equipment/systems and finalising contracts in a competitive environment essential.

Age: below 30 years. *Ref. No. LTN/6*

Training Officer

Job involves coordinating, monitoring and administration of graduate engineers, diploma engineers and trade training schemes/ programmes.

Candidate should be familiar with manufacturing process and production related functions in an engineering organisation. Capacity for effective oral and written communication and ability to plan essential.

Qualifications: Degree/Diploma in Mechanical Engineering.

Experience: 7-10 years for Degree holders and 12-15 years for others in a training establishment attached to an engineering organisation. Familiarity with technical vocabulary and modern methods of teaching and usage of audio visual aids, essential.

Age: below 38 years. *Ref. No. LTN/7*

Personnel Officer

Selected candidate will assist the Works Incharge in establishing personnel procedures/ systems in recruitment, staff administration, time keeping, industrial relations and welfare. He should be familiar with current labour laws, wage administration and liaison with various government agencies.

Qualifications: Post-graduate in Personnel Management and Industrial Relations from a recognised institute. Degree in Law, desirable. Fluency in Gujarati essential.

Experience: 5-10 years in plant personnel functions in a manufacturing unit – preferably engineering.

Age: around 35 years. *Ref. No. LTN/8*

FOR ALL POSTS

Salary and perquisites will depend upon qualifications and experience. All the positions will be based at the new work location near Baroda.

Apply within 10 days, stating age, details of qualifications, experience, salary drawn and expected, quoting Ref. No. indicated against post ON APPLICATION AND ENVELOPE to Manager – Personnel, Group II:

LARSEN & TOUBRO LIMITED

Powai Works, Post Box 8901, Bombay 400 072

L&T/ADV Dept

KOTHARI INDUSTRIAL CORPORATION LTD.

A highly diversified Group with a turnover of Over Rs.150 Crores

require

GENERAL MANAGER MARKETING

The incumbent will be responsible for complete Marketing strategy of Tea from conceptualisation to distribution which include sales management, setting up distribution channels, pricing policies, market research, new product launch, advertising, sales promotions and dealer development. The candidate should be an MBA from a reputed University/Management Institution with 10 - 12 years of marketing experience of which minimum 5 years should be as a Head of marketing.

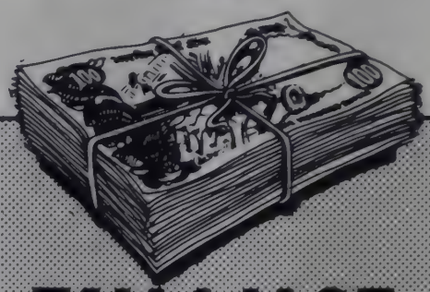
Salary & Perks is not a constraint for the right candidate.

Preferred age: 35 - 40 years.

Please apply, with detailed resume and a passport size photograph, in strict confidence to:

THE EXECUTIVE DIRECTOR (P & A)
KOTHARI INDUSTRIAL CORPORATION LIMITED
"KOTHARI BUILDINGS"
114, Uthamar Gandhi Salai,
Madras-600 034.

A Public Limited Company, with a turnover of Rs. 50 crores, needs a

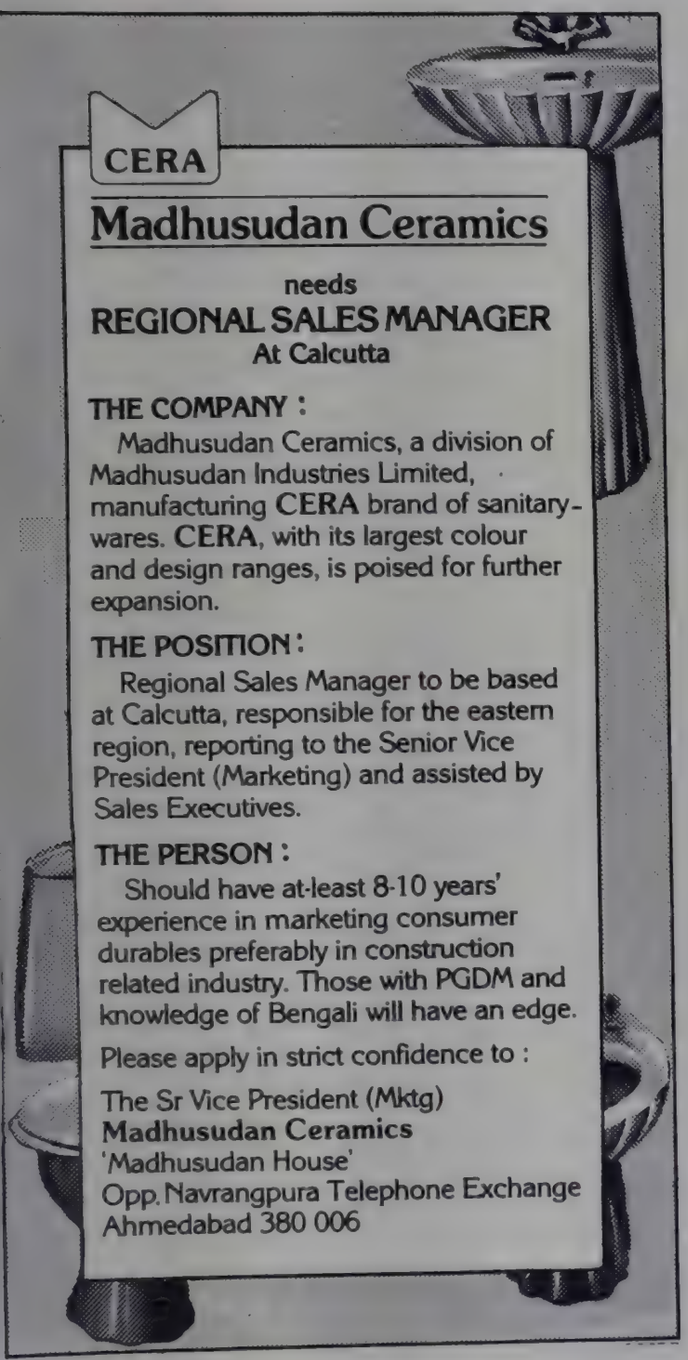


FINANCE MANAGER - cum - COMPANY SECRETARY

Age	: 35-45 years
Essential Qualifications	: C.S.
Desirable Qualifications	M.B.A. (Finance) or : C.A. (with LL.B.)
Location	: A small township in Gujarat, near Baroda; accommodation provided
Remuneration	: Rs 1.2 lakhs + perks
Experience	: Minimum 5 years

Interested? Apply to:
The Advertiser
Post Box No : 11779
Bombay - 400 021.

APPOINTMENTS



CERA

Madhusudan Ceramics

needs

REGIONAL SALES MANAGER

At Calcutta

THE COMPANY :

Madhusudan Ceramics, a division of Madhusudan Industries Limited, manufacturing **CERA** brand of sanitary-wares. **CERA**, with its largest colour and design ranges, is poised for further expansion.

THE POSITION :

Regional Sales Manager to be based at Calcutta, responsible for the eastern region, reporting to the Senior Vice President (Marketing) and assisted by Sales Executives.

THE PERSON :

Should have at-least 8-10 years' experience in marketing consumer durables preferably in construction related industry. Those with PGDM and knowledge of Bengali will have an edge.

Please apply in strict confidence to :

The Sr Vice President (Mktg)
Madhusudan Ceramics
'Madhusudan House'
Opp. Navrangpura Telephone Exchange
Ahmedabad 380 006

NELCO

Nelco's Industrial System Group, with a turnover of over 100 crores is involved in manufacturing and marketing of Drives Systems and Automation, UPS and SCADA Systems. The Group has an enviable record, and is now poised for growth and expansion. To meet this challenging need the group is looking for :

MARKETING / SALES PROFESSIONALS

(BOMBAY/CALCUTTA/DELHI/MADRAS/ INDORE/JAMSHEDPUR/AHMEDABAD)

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The National Dairy Development Board, a body corporate declared as an institution of national importance by the Government of India, is involved in projects of milk, oilseeds, salt, fruit and vegetables, tree growers' cooperatives, etc. We invite applications for different posts in the Cooperative Development Group.

The Cooperative Development Group seeks to promote quantitative and qualitative changes in the cooperative structure particularly in areas of procurement, marketing and financial viability. It seeks increased member participation and greater involvement of women in management of cooperatives.

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Companies are stepping up on training.

A NEW SYLLABUS

In a quiet room at the Crompton Greaves headquarters in Bombay, senior managers concentrate fiercely on their immediate task: throwing a coin into a basket. No, it's not the latest lunch-time diversion for busy executives. Instead, with the distance from which the coin is to be thrown left to the discretion of the player, trainers use the game to analyse the mental make-up of the executives. A cautious person, they judge, will throw the coin standing very close to the basket; a risk-taker will stand far away.

At Indian Hotels, which runs the Taj chain of hotels, a handful of senior executives watch *Twelve o'clock High*, a Gregory Peck starrer. They're not goofing off from duty — believe it or not, they're learning management techniques from the movie. The film is followed by a brainstorming session on management tactics.

Welcome to the world of executive development programmes — the latest gambit in the tough, new competitive era. As bottomlines become crucial and the great retain-your-manager race hots up, a startlingly large number of Indian companies is forking out cash to send their executives to a rather unlikely place — management training and development schools. Says Delhi-based management consultant Mritunjay Athreya: "With the market becoming competitive, training has become a key to corporate bottomlines and provides executives with that cutting edge."

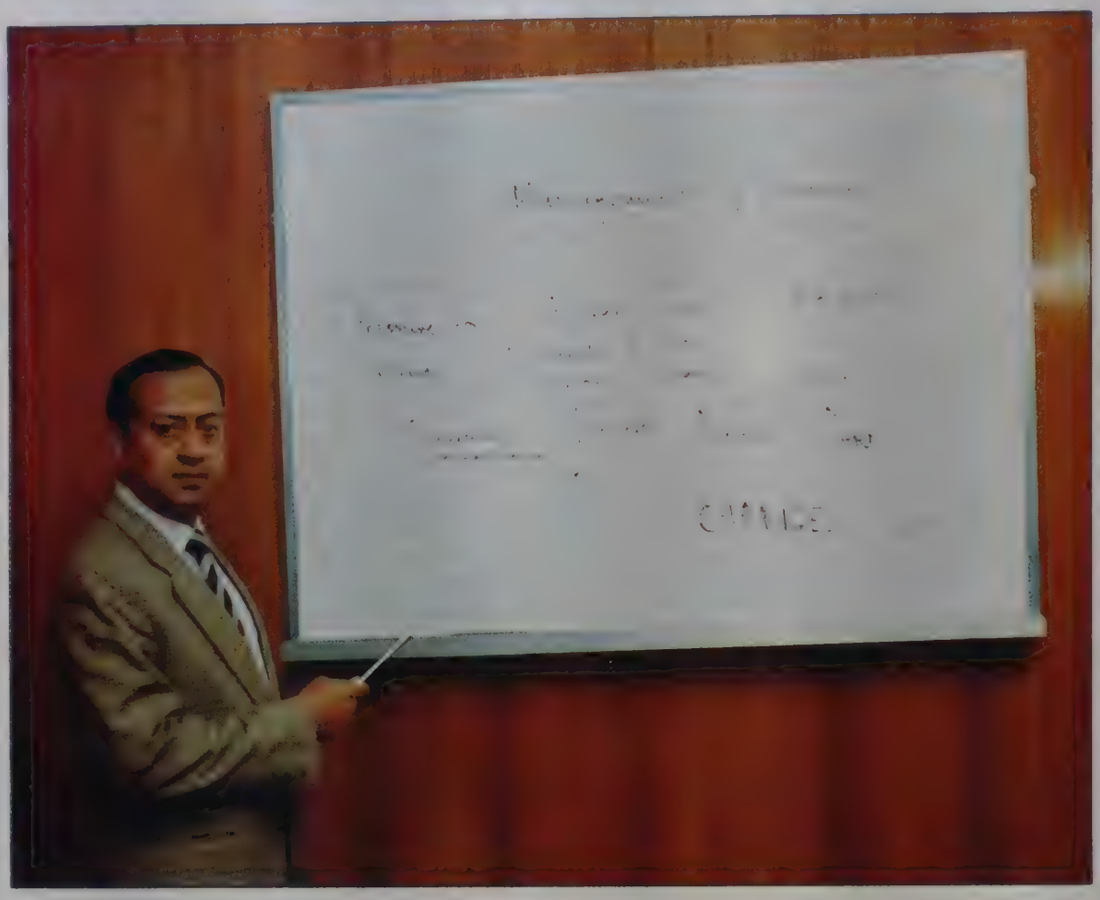
Indeed, a small but burgeoning flock of companies is setting up exclusive staff training centres. Two examples: Delhi-based chemicals company Shri Ram Fibres (SRF) and Siemens in Bombay.

Obviously, that makes for an increasing number of Indian companies climbing the training bandwagon. Corporations like Cadbury India, Hindustan Lever, Crompton Greaves, hair and edible oil company Marico Industries, to name just a few, are formulating customised executive development programmes that are geared to finding solutions to in-house problems — from production snags, to quality improvement or combating competition. And they are also discovering that the lessons training programmes provide can prove an attraction that goes a long way in retaining staff. Last, but not the least, several companies have discovered that the learning process in turn helps improve interpersonal relationships within the organisation.

Tangible results. With executive training programmes catching on, companies have begun spending time —

LEVERS' TRAINING CENTRE: *Encouraging feedback*





MATHIAS: *Stress on cost-cutting measures*

and money — on assessing specific training needs. As a result, corporations are demanding much more tangible results. Says Marico vice-president (personnel) Jeswant Nair: "Programmes should be directly related to solving the problems a company faces, and should improve interpersonal relationships."

To ensure that programmes are relevant, companies are increasingly developing in-house trainers. Some are even going a step further by tying up with management institutes and drawing on their expertise.

One outcome of all this is a booming executive development programme market. Many companies are spinning off consultancy divisions to cater to this growing demand.

Behind the new focus on training executives is the realisation that it pays to have them learn. At light commercial vehicle manufacturer Eicher Motors, for instance, productivity zoomed by over 50% after executives went through a total quality management (TQM) programme, according to senior Eicher officials. One example cited: the company used to take 1.2 mandays to assemble a gearbox. After the TQM programme the task now takes a mere 0.4 mandays.

Eicher's experience with executive training is being replicated in several other Indian companies — something that would have been difficult to imagine just five years ago. Earlier, executive development programmes were mere perquisites, and were conducted in locations like Kashmir. Nobody really expected any results from them. Says Eicher Consultancy Services director-in-charge Anil Sachdev: "Those who had to be rewarded but were not getting promotions were sent for the executive development programmes. They were more a holiday package than anything else."

Clearly, that's no longer the case. Athreya points out that five years ago a minuscule 20% of the training programmes were bottomline-oriented (geared to solving specific problems in the company). Today, with most programmes focusing on topics like quality, cost reduction and increased productivity, that figure has risen to nearly 80%, reckons the management guru.

Companies on their part are more than willing to spend money to send executives to the learning table. That means shelling out anything between 0.2% and 1% of their turnover. In money terms, the sums can, therefore, be substantial: roughly Rs 56 lakh in Cadbury's case. In fact, Siemens spent an astonishing Rs 1 crore last year on training its executives.

Naturally, that means increased attention for the programmes themselves. Take Siemens. Executives now spend only two days a year on an average on training programmes; but that's on the verge of changing. "That span will double in the next two years," says Siemens executive vice-president (personnel) S.S. Muzumdar. Ballarpur Industries, which too spent Rs 1 crore on executive programmes last year, has an ambitious target: it is planning on sending all executives for a one-week training course. At the moment, just half the staff is sent for the course. And even a tightly-held family-owned company like Bombay-based oil manufacturer Marico Industries is forking out Rs 20 lakh to send executives to school.

But while spending the big bucks, companies are also demanding that training programmes be tailored to suit their specific needs. As in the case of Cadbury, which faced a ticklish problem: how to get its MBA and non-MBA recruits to speak the same jargon. Senior company executives promptly decided to narrow that communication gap by starting a capsule MBA course specifically aimed at recruits who had not passed out of management schools. Says Cadbury vice-president (personnel) Arun Joshi: "The programme helped us to break the cleavages between the two groups and made non-MBAs less inhibited."

New structure. Luggage manufacturer Blow Plast is using training programmes to introduce a new organisational structure. Says Blow Plast vice-president (personnel) K.S. Kumar: "We are trying to introduce management without supervision, primarily aimed at eliminating supervisors." The company organises various courses on self-motivation and leadership programmes with a view to creating a more autonomous and independent organisational structure.

For some, executive programmes have helped improve bottomlines. At Peico, training programmes literally

paid dividends when the company was going through a cash crunch some years ago. To drive home the seriousness of the situation, the company's personnel division took a simple decision: every training programme, at every level of the hierarchy, would have a segment on cost-cutting measures. The programmes worked wonders, and Peico is now back in the reckoning with a healthy bottomline. Says director (personnel) Ivan J. Mathias: "The programmes were effective and were one of the ingredients in the company's turnaround."

Such training also helps focus on not just the company's weaknesses and strengths but also on those of the competition. SRF executives now view the competition more perceptively after a programme on strategic thinking. Just five years back, company executives found it difficult to produce even a page of relevant information on competition. But after the strategic thinking programme, SRF managers say they are able to analyse and tabulate more comprehensive information on competitors than ever before.

Besides, of course, there are occasional bonus benefits for companies. For example, the idea of Cadbury's Enriche brand of cocoa drink and the foray into biscuits were conceived at a brainstorming training programme on how to increase the company's marketshares. (It's a different story that the strategies didn't exactly work.) At Blow Plast, training programmes have helped improve interaction among the luggage, toys and furniture divisions, according to personnel director Kumar. And at Indian Hotels, executives came up with a host of ideas to cut costs without affecting customer comfort in the course of executive development programmes.

How precisely do companies identify training needs? Most have their own system to locate lacunae in executive performance. That includes asking executives to pinpoint areas where they feel the need for further training. Siemens has an elaborate personnel development analysis system. This is put into operation once a year when the personnel head and heads of various divisions sit together to assess the potential of executives and the kind of training a high-flier would need to grow in the organisation. What's more, a candid one-to-one discussion between boss and subordinate is held where the junior executive sets his own goals for the year and the training inputs that he might require to achieve them.

Different systems. Others adopt different systems. Ballarpur Industries, for one, offers its staff a voluntary appraisal system with an expert helping to analyse weaknesses. Hindustan Lever has senior executives judging the performance of their juniors. SRF hands out questionnaires to its executives, asking them what topics they would like to study in detail. That is followed by a yearly organisational opinion survey which helps the company get data on how employees perceive the company and the areas of weakness in the organisation.

To be sure, companies have their own yardsticks for measuring the success of programmes. Ballarpur uses summer trainees to evaluate the relevance of training. Levers, on the other hand, asks all executives who go through a training programme to rate their trainers and the usefulness of the programme in their daily working. Trainers modify the programmes on the basis of the feedback they receive.

It's a different ballgame at Cadbury. First, executives evaluate the programme immediately after it is over. Six months down the line, departmental chiefs evaluate the programme's effectiveness in helping the executive. If it hasn't helped, the chocolate company goes back to the drawing boards to reformulate the entire programme.

Almost automatically, most training programmes help improve interpersonal relationships within the organisation. Says Tata Exports human resources development (HRD) manager R.L. Bhatia: "We have a programme primarily meant to ensure that the boss acts like a mentor and supports his junior to perform better." Tata Exports introduced a training programme which helped make superiors more receptive to subordinates, even as junior executives were trained in creative thinking and parapsychology to help cope with future challenges.

But while the company certainly gains, how does all this help retain your above-average executive? Explains SRF vice-president R.M. Rajgopal: "We have to go beyond just bottomlines and look into individual regeneration." SRF, consequently, is turning the spotlight on individual hobbies. For instance, the chemicals

MARICO'S MANAGEMENT DEVELOPMENT PROGRAMME: *Solving problems*



concern is introducing a classical Indian music programme. Guess who's teaching SRF executives? Amjad Ali Khan. Similarly, a philately course is in the works.

Ballarpur recently introduced a stress management programme, organised by the Ramkrishna Mission, primarily to help executives cope with workplace tensions.

Those aren't the only sweeteners either. A clutch of companies use training programmes abroad to help executives keep in touch with the latest overseas trends. At Indian Hotels, as many as 200-odd executives have been sent abroad for training. The Taj company even has a special arrangement with Cornell University whereby brighter staff is sent to the US university. Points out Indian Hotels director for corporate human resources Leonard D'Costa: "We have to keep abreast with the latest international trends, as we are in a service industry." At Hindustan Lever, UK principal Unilever nominates Indian managers from time to time for various training programmes the multinational organises.

In-house staff. Since training programmes do so much to delve into executive psyches, most are conducted by in-house senior staffers. Says Crompton Greaves HRD general manager S.L. Mirchandani: "For programmes to be effective you must have in-house trainers who know the organisation and the problem." Greaves ropes in line managers not only to identify the areas of training subordinates require but also to design training courses. And Levers has special programmes to train even in-house trainers.

Some companies are moving a step further and roping in management institutes. Others hire management consultants from various institutes. Tyre concern Ceat recently brought in consultants from IIM-C to help conduct a training programme on competitive advantage. The price tag: Rs 3 lakh for a five-day course. Says a satisfied S.S. Ogale, HRD manager at Ceat: "They have a good theoretical base and good case studies which are useful for executives."

Indian Hotels, on the other hand, is working closely with the Pune-based Tata Management Training Centre to develop a programme on quality control. And Marico has tied up with the Indian chapter of Juran Institute to develop capsule programmes to help resolve key quality and production problems faced by it.



IIM-C: *Offering consultancy services*

Realising the untapped potential of training programmes, some HRD executives are now doing their bit to earn back the company's investment in training. Eicher offers consultancy services to companies on organising executive programmes. In addition, it helps them organise management seminars, for which it has tied up with Chicago-based A.T. Kearny. The US consultancy outfit helps identify international management consultants willing to visit India.

Not surprisingly, Eicher's consultancy division earned Rs 1 crore this year and has a list of blue-chip clients ranging from Gujarat Heavy Chemicals to Hindustan Power Plus and Indian Aluminium.

Eicher isn't the only one. Cadbury has already spun off a consultancy division offering clients both customised and general management programmes. It has developed customised packages for RPG Enterprises and Mahindra & Mahindra on team-building. The price: Rs 30,000 for a one-week programme.

Indeed, Eicher and Cadbury are in good company. A host of corporations is trying to cash in on the boom. Computer concern Apple Industries provides training programmes on information technology to clients, apart from offering advice on the restructuring some organisations need after they instal computers. Says Apple general manager for strategic planning Uma Ganesh: "We've even set up an executive development centre in the company where we train in-house staffers on information technology." The bill: Rs 5-7 lakh for an entire project on introducing computers in a middle-level company.

Are executive development programmes then a new sure-fire means of ensuring corporate success? Not necessarily. Says SRF's Rajgopal: "Training is only a small component of HRD. What you need is context creation and an environment which supports training." Translation: companies should allow managers to execute what they have learnt during the programmes and division heads should support the effort even if there are risks involved.

But with more and more companies clambering aboard the training bandwagon, executive programmes are undoubtedly here to stay. Which means, going back to school is likely to be more than just an executive perk of the future.

□ Surajeet Dasgupta

MANGO MANIA

It's summer; and all Bombay celebrates the start of the 'Royal Visit.' Princess Di? Prince Charles? Queen Elizabeth? Forget it. British blue-bloods don't generate anything close to the excitement that surrounds the arrival of our own, home-grown King Alphonso.

While the average citizen will wait for prices of the Ratnagiri fruit to ease (which usually happens at the fag end of the season), well-heeled mango maniacs can get going right away. If you're tired of eating the stuff at home, check out Taj's new range of mango desserts. Start with tarts at the coffee shop Shamiana. Then try the special mango toffee, Chinese style, at the Golden Dragon. If you've some tummy-space left, there's still mango kulfi at the Tanjore and mango mousse at the Zodiac Grill.

And the prices? As the aged cliche goes: if you have to ask, you can't afford it.

GREEN PIECE

If you're environmentally-conscious (or intend to be; it's the in thing these days), here's some compulsory reading. The Society for Environmental Communications (SEC) is starting *Down To Earth*, a rather appropriately-named fortnightly magazine covering the fields of science, technology, environment and development.

The mag will report on issues related to energy, health, urbanisation, forestry and agriculture. But that's not all. Says editor Anil Agarwal: "It will be all about what politics is about, but which most political magazines miss. It will be a magazine about human aspirations, endeavours and struggles to create a better world and to protect the good parts that still remain." Phew!

Agarwal reckons that anybody with a "genuine interest" in science, environment and development ought to find *Down To Earth* relevant.

Want more details? Contact SEC at: F-6, Kailash Colony, New Delhi 110 048.

SINGAPORE SEDUCTION

To most upper-crust Indians, Singapore means shopping — with a capital "S." But that's not all there is to the place. If you're from Tamil Nadu, here's extra incentive: the next time you're heading for the picturesque city-state, look out for long-lost cousins. Tamils constitute as much as 7% of Singapore's multi-ethnic population, and many of them still have some roots in this country. So check out the old family tree; you might just strike luck.

If that isn't incentive enough, try another: south-Indian meals at S$6 per head. That's cheap, by any standards.

Of course, the Singapore government would like you to spend as much money as possible while you're visiting. Which is why it plans to invest some S$2 billion on new shopping arcades, amusement parks and zoos over the next few years.

Incidentally, if you're planning to make a trip sometime soon, try to make it in time for the Dragon Boat Festival (June 5-7). It's something like Kerala's *Vallamkalli* boat race, except that it is an international event; teams from 22 countries will be competing for top honours.



MUSICAL MEN

What do accountancy, computer software and medicine have in common with Hindi pop music? Nothing, obviously. But that doesn't mean a merit-listed chartered accountant who runs a software outfit in Calcutta can't join hands with a Delhi-based doctor to form India's first male singing duo.

Pawan Jalan and Debashis Datta-Majumdar, the gentlemen concerned, are all excited about the release of their first album, *Dilkash*, from HMV. Says Jalan: "We've been interested in music right from childhood; when this opportunity came by, we couldn't let it pass."

The return of melody in Hindi films (after a long exile enforced by the likes of Bappi Lahiri) may have taken some of the pop out of non-movie music, but Jalan is reasonably confident that *Dilkash* is chart-busting material. He expects sales to touch the 10,000-mark in the eastern region alone. That's a pretty large number; but what's life without a little ambition?

THE DRAGON BOAT FESTIVAL: *Tourist favourite*

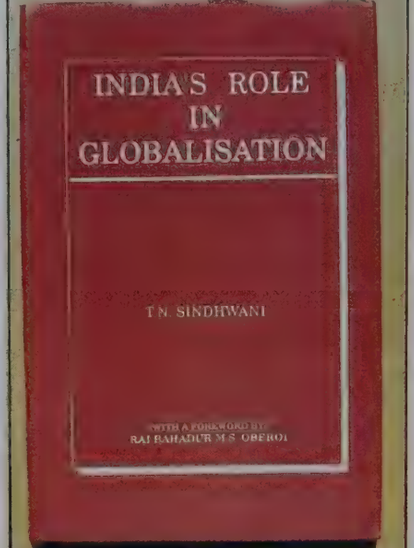


GLOBALISATION ISSUES

(By T.N. Sindhwani; Capital Foundation Society, New Delhi; 1992; pp 138; Rs 195.)

What kind of 'global village' are we heading for? And what will be India's role in this new global economic order?

Many of us in industry are asking ourselves questions like these with an urgency which we never felt before. However, in a scenario where the contours are rapidly altering — whether in terms of changing technologies, market shifts, new economic alliances and political affiliations — the imponderables are many and the future obscure. Planning for the future is also fraught with an added dimension of business risk.



Against this backdrop, Sindhwani's monograph is very apposite. To start with, his credentials are excellent; he has worked with distinction in academia (in North America) and in journalism (in India) and is now in a senior position with a leading public sector organisation which is executing a number of projects abroad. He is thus well placed to view India's industrial potential in the global context.

In keeping with his background in corporate planning, Sindhwani has carried out a national SWOT — strengths, weaknesses, opportunities and threats — analysis so as to arrive at an alternative policy prescription independent of the International Monetary Fund (IMF) recommendations. In this, he has drawn heavily on the responses received from leading members of the three apex chambers of commerce and industry.

While the latter have at various times articulated the views of their members on individual issues, this is perhaps one of the few instances where all aspects of globalisation of the Indian economy have been examined in a single study. The style is eminently readable and the length (138 pages) should not tax the time availability of even busy industrialists and executives.

Very appropriately, the foreword is written by Rai Bahadur M.S. Oberoi, who is acknowledgedly one of the pioneers of globalisation of Indian business. Sindhwani's book synthesises diverse views and helps one understand the multi-directional dynamics of the globalisation process from a developing country's point of view.

□ Abhijit Sen
Sen is the co-chairman of Nicco Corp, Calcutta.

ANALYSING BLUE CHIPS

(Emerging Blue Chips; By N.J. Yasaswy; Vision Books; 1992; pp 223; Rs 80.)

In his sequel to *Growth Stocks*, Yasaswy leaves a discerning reader with the feeling that when in doubt, go for parentage. It is surely the safer way but not always the most profitable.

Emerging Blue Chips paints a rather discomfiting picture of the emerging band of Indian entrepreneurs. The author seems to have gone overboard in focusing on the downsides of Abhey Oswal and Vinay Rai. For every Abhey Oswal, it can be strongly argued, there are two or more Satish Kauras (Samtel).

However, in all fairness, he does subscribe to some factors which could make a tomorrow's blue chip out of a enterprise which is not exactly a Bo ton Brahmin by origin. Some of the characteristics are promoters wi relentless drive, use of pioneerin technologies and processes, nov marketing strategy, growth-driven c ganisational culture and hands-on a proach to management. His SWO analysis in identifying blue chips rather illustrative. Yet, we hav recently seen some of Yasaswy's "hig caution" stocks — Indana Spices, I dian Oxygen and Carrier Aircon - ride the bull fever!

Numbers are awfully important f Yasaswy. The 20 financial criteria th he has chosen are a good pointer, pa ticularly the management's inclin tion to reward investors rather tha sheer ability. That is precisely wh Gujarat Ambuja with the same EPS a Rohit Pulp & Paper Mills is value almost twice as much as the latter an thrice as much as Mysore Lamps.

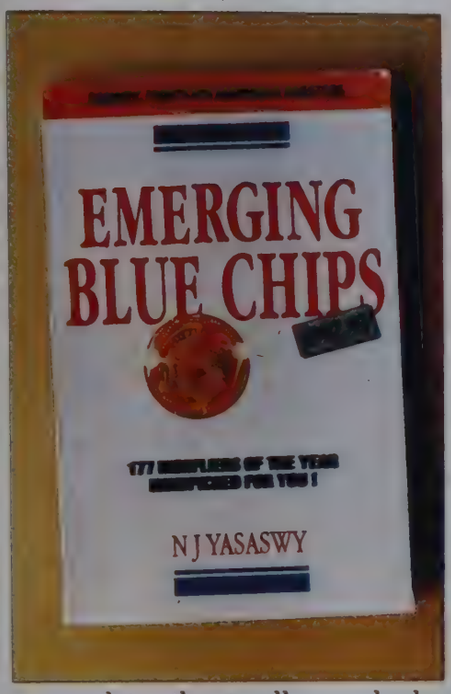
"At birth, a blue chip looks no di ferent from a dud" (sic). Yasaswy goe on to analyse some oft-repeated mi takes that make for the still-bor babies. Mazda Industries is looked a in great detail to substantiate th view. Conflicts with consumer move ments (Sanghi's teak project), absente ownership (Shaw Wallace), gauch public relations (Reliance's allege strike and Nusli Wadia) and financia juggling (Nippon Denro shenanigans) demonstrate to th average investor some key warnin signals. Readers would do well t refer to the 16 case studies of stil borns while taking major investmen decisions.

Moving averages and data stoc charts are explained in a user-friendl manner by the author in the chapte on timing of entry and exit. Plottin the life-cycle of an industry whic normally follows the traditional S curve rather than the bell shape product curve, is extremely critica The current boom in stocks of financ companies, I daresay, should b analysed against this back drop.

Drawing heavily on DSJ's Infotec package, Yasaswy has short-listed 17 emerging blue chips (EBCs) of 199 93 out of the 361 he had listed in h earlier book. The remaining 184 hav been categorised into two lists — Li B covering border-line cases and Li C containing "wait and watch" stock As of end January 1992, the averag

price/earning (P/E) ratio of Yasaswy's 177 EBCs was 15 with Sesa Goa pegged the highest (67).

Not up-to-date. Textile stocks figure at the top of the heap, followed by engineering, tea, steel, automobiles, chemicals, paper, pharmaceuticals, cement and electronics. Hotels, shipping and telecom bring up the rear. But in the aftermath of the lemon budget, this list calls for immediate updating. It is surprising that Yasaswy had not considered the predictable sops to the service industry in general and hotel, tourism, communications and financial services in particular while tabulating his much-vaunted A, B and C lists. Or was he busy planning a post-budget essay to complete the triology? Some of the unfancied names that appear among the chosen EBCs are Kunal Engineering, BMD Foundry Machinery, Zandu Pharmaceuticals, Grauer & Weil, Sukhjit Starch and Foods & Inns. Brokers will have a hard time executing transactions in those scrips, you may be sure!



Depending on investor preferences, there are 20 model portfolios of EBCs that Yasaswy seems to have created with much thought. Textool, Duncan's Agro and Nahar Spinning Mills are stocks that appear in most of the models. The question is whether they still hold enough rewards for investors.

Finally, he cautions against using the new issue route to investments and suggests the secondary market as a viable alternative. Which means exposing oneself to the "buy high, sell low" modus operandi that most Indian brokers have adopted during the bull frenzy. So, call your broker (if you are fortunate to have one!) and ask for your favourite EBC: By the time it is bought and more importantly, at the price it is bought, it may no longer be an EBC.

A RICH REPERTOIRE

UBS Publishers' Distributors is bringing out a series — The Masters' Gallery — presenting some of India's great achievers in various fields, those who are well known not only in this country but all over the world.

Each volume is devoted to one person. It begins with an essay written by an authority on the subject, or by the subject himself, explaining his philosophy, techniques, influences and place in the history of art, dance, music or sports as the case may be. It also tries to bring alive the human being — with his or her own beliefs, idiosyncracies, dreams and visions. The master's background, upbringing and circumstances are touched upon to bring out his or her evolution as a creative person, shaped by particular beliefs.

The first title in this series, *The World of Satyajit Ray* by Bidyut Sarkar, is a creative interpretation of the influences that have moulded Ray and his impact on Indian and international cinema, and on music, art and literature in Bengal.

Coming up next are biographies of Sonal Mansingh (by Aruna Vasudev), Kathak exponent Uma Sharma (by Uma Vasudev), Amjad Ali Khan (by Raghava R. Menon) and an autobiography by Satish Gujral, acclaimed painter, muralist, sculptor and architect.

Complementing The Masters' Gallery are four companion volumes on *The World of Indian Theatre, The World of Indian Dance, The World of Indian Music* and *The World of Indian Miniatures.* All are profusely illustrated and written by acknowledged authorities on the subject. The entire series is a rich repertoire for those who want to learn about or savour the many manifestations of Indian culture.

TIPS FOR THE INVESTOR

(Shares for Investment and Wealth; by Raghu Palat; IBD, Bombay; pp 342; Rs 255.)

There couldn't have been a more opportune time to release the book. In a market flooded with evergreen strategists, *Shares for Investment and Wealth* highlights the pitfalls in a delirious stock exchange and the thumb rule for new entrants to the bourses. This hard-bound, 38 chapter tome tries to educate a novice on how he should go about investing in shares and what are the key parameters he should pay heed to in order to zero in on a particular scrip.

There is a chapter on how to read annual reports and put ratio analysis to effective use when making investment decisions. The book also talks of how technical analysis can enable investors to predict future price trends based on past price movements. It also dwells on theories such as Dow Jones and Elliot Wave.

The book makes interesting reading in parts, particularly those where the author has attempted to give examples of companies to illustrate a point. For example, when explaining how management is a yardstick for investment decisions, the author highlights the case of Metal Box, a yesteryear blue chip, now down in the dumps because of incorrect management decisions. In contrast, he offers two classic cases of management foresight and ability: Bajaj Auto and Tata Chemicals.

The book also warns readers about the pitfalls of indulging in speculation and relying on unsubstantiated tips. However, there is one chapter that needs to be substantially updated — taxation. With the latest budget proposals, wherein shares are exempt from gift and wealth tax, the tax planning measures no longer hold true.

Apart from the stockmarket glossary, the author has two chapters in a quiz format: one to determine whether the stockmarket-goer is a gambler or a risk-averse person and the other on whether the individual has purchased the right shares.

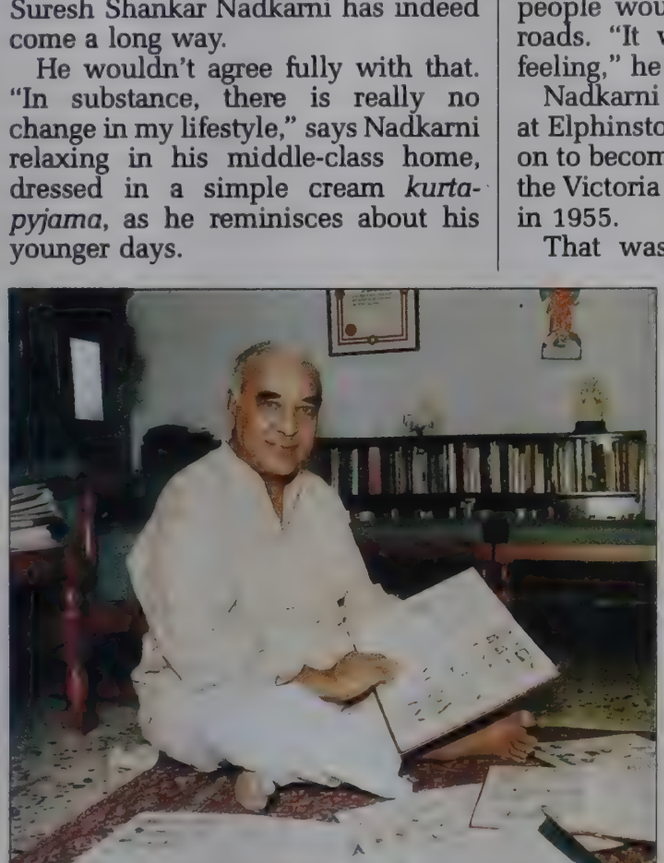
All in all, *Shares for Investment and Wealth* is a must for the novice — the shoddy editing notwithstanding.

S.S. Nadkarni

FRUITS OF INDUSTRY

It is a story of development through industry; sheer hard work taking one places. It is the story of a kid from a Bombay *chawl* making it to the top of India's premier development bank — the Industrial Development Bank of India (IDBI). The 57-year-old Suresh Shankar Nadkarni has indeed come a long way.

He wouldn't agree fully with that. "In substance, there is really no change in my lifestyle," says Nadkarni relaxing in his middle-class home, dressed in a simple cream *kurta-pyjama*, as he reminisces about his younger days.



NADKARNI: *Going by the book?*

Nadkarni's father Shankar was a typist in a solicitors' firm in Bombay and his mother Ganga Bai a housewife. It was in a small *chawl* that Nadkarni (along with his three sisters and an elder brother) spent a large part of his life. Money was in short supply and the young Nadkarni had to depend a lot on scholarships for his education. Fortunately, he was a bright student which, along with his persistent efforts, saw him come through with flying colours.

"There was also a tremendous tradition of reading in our family," says Nadkarni. A student of King George's School (Portuguese Church branch), Nadkarni was a bright student all through and was awarded a number of scholarships. He also had the distinction of topping the SSC examination in 1950. It was, he recalls, a rare achievement for a student of his school (commonly known as the Mill Mazdoor's School). For days after, people would point him out on the roads. "It was a rather exhilarating feeling," he recalls.

Nadkarni continued his education at Elphinstone College and then went on to become an electrical engineer at the Victoria Jubilee Technical Institute in 1955.

That was something he had not been particularly keen on. Says he: "I had always pictured myself as a professor of Sanskrit. It was a subject I was very interested in." But, for practical reasons ("after all how much could a professor aspire to earn?"), he opted for a degree in engineering. "My science teacher convinced me that I could always pursue the study of Sanskrit on my own, and my brother gave me a whole lot of science books to read so that I could make a considered choice," he recollects.

And thus it was, armed with his engineering degree, that Nadkarni joined Crompton Greaves in 1955. Two years later, he switched over to engineering consultancy firm Beacons (Business & Engineering Associated Consultants). "I made this move primarily for financial reasons," says Nadkarni candidly. "Money was an important factor in those days."

In 1960, Nadkarni switched jobs once again, this time to a totally different line altogether. He joined the Industrial Credit & Investment Corp of India (ICICI) as a junior officer in the project appraisal department.

"I did not know the front page of a balance-sheet from the back when I joined ICICI," says Nadkarni. But he soon picked that up and much more, and moved steadily up the ladder t the very top. In 1982, he becam chairman of the institution, gainin the managing director tag in 1984. year later, he moved to his curre charge of IDBI chairman.

Nadkarni relates how, a few day before he joined ICICI, a friend's fath asked him about his prospects in th new job. Came the off-the-cu response: "Well, I could become th chairman." Says Nadkarni: "Eve now I feel embarrassed when I thin of my reply. It was such a foolish thin to have said." But it was somethin that came true nonetheless. "I wa never very ambitious and there wa no deliberate planning as far as m career was concerned," says the IDB chief.

REMARKABLE RISE

For someone who admits to hav been totally ignorant of the financia world when he entered it, his rise ha indeed been remarkable. But Nadka ni is modest and ascribes his succes more to his mentors than to any strok of genius within. "I have been ver lucky to have had good people aroun me and above me," he says. In th early sixties, ICICI, he explains, was fledgling organisation with a ver small staff. And he was fortunate t get tremendous exposure in ever field. "I learnt finance from H.T Parekh, who was general manage when I joined ICICI," says Nadkarn He recalls that Parekh would ask hi to sit in at discussions with all the bi industrialists who came to meet hi And, as he gained importance in the eyes, Nadkarni says he gained mor confidence in himself.

"One had to work very hard, o course," he continues. "There is n short cut to that." A strong believer i the old-time virtues, he contends tha hard work, integrity and sincerity ar the fundamentals of life.

"I was very lucky to have goo teachers all through my student day They taught me much more than mer academics and were gurus in the rea sense of the word. These are values have imbibed from them, my famil

and my mentors, H.T. Parekh and S.S. Mehta, former chairman of ICICI," says he.

"In my view," elaborates Nadkarni, "it is the people that one meets and the relationships that one forms that are most important and significant in life. They are the stations in the journey of my life."

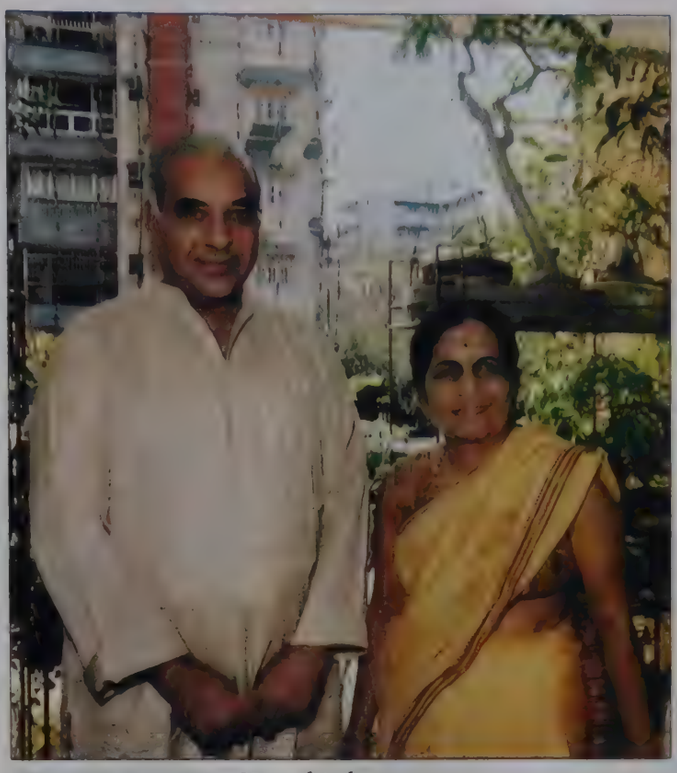
Asked to talk about his attitude to life, his thinking and his philosophy, Nadkarni says "these are big words." He instead takes out a small poem and says: "If you want to know about me, read this."

To laugh often and to love much
To win the respect of intelligent persons
and the affection of children
To earn the approbation of honest critics
and endure the betrayal of fake friends
To appreciate beauty
To find the best in others
To give of one's self
To leave the world a little better,
whether by a healthy child, a garden patch,
or a redeemed social condition
To have played and laughed with enthusiasm
and sung with exultation
To know even one life has breathed easier
because you have lived
This is to have succeeded.

"I have no great spiritual bent. This is the sum and substance of my values and my beliefs," says Nadkarni.

By temperament a person who gets deeply involved in whatever he undertakes and in the matters of others ("even if it does not really concern me"), Nadkarni believes it is imperative to understand and appreciate the other person's point of view. "It is also very important to have a positive attitude," he adds. "It is not given to man to really know what he wants and very often, after taking certain decisions, one begins to regret having made them. It is then that one must not give up. After having taken a decision, whatever it may be, one must always strive to make it work."

A strong believer in creating task forces for meeting objectives, Nadkarni says he is not a great one for paperwork. He believes more in decentralisation. Says he: "From a very young age I was made aware that no one is perfect and everything requires a lot of hard work. It is important to get the best out of people, to put a team together."



WITH WIFE SULABHA: *Homebirds*

At home too, Nadkarni is not a strict disciplinarian and advocates an open and free atmosphere. Not much fond of socialising, he prefers to spend every free moment with his family. While his elder son Rajiv (28) looks after their small farm in Karjat (near Bombay), his younger son Sanjeev (23) is working towards an MBA at Manipal.

He and his wife Sulabha (their's was a love marriage, though Nadkarni hates to use the cliche) share a strong interest in reading.

It was this, in fact, that brought them together. A graduate in economics from Pune University, Sulabha says she found Nadkarni to be a very intelligent and perceptive person. "There are two parallel streams in him," says Sulabha describing her husband. "He is very jovial and friendly as well as very serious and reserved." Both Sulabha and Nadkarni are more of homebirds and love to spend their time reading.

It was his mother Ganga Bai, says Nadkarni, who inculcated in him a love for reading which till today is his favourite pastime. This interest is very apparent when one sees the innumerable books in every corner of his house. "They have broadened my vision and my perception." There are books on his old passion, Sanskrit literature, as well as on his other interests like chess, bird-watching, stamp-collecting, management, the thinking process and a variety of other subjects.

Nadkarni is one man who believes that one can learn just about anything through books — even swimming! "Well, one can certainly learn how to swim better," he amends with a hearty laugh and adds: "I believe it is important to study something as deeply as possible." His wife shares his view. As she cannot indulge in her "passion" for gardening as much as she would like because of lack of space, she makes up for it by reading on the subject.

Nadkarni has some common-or-garden interests too. Bird-watching and collecting stamps on the specific theme of birds is something he got interested in around 15 years ago. Says he: "Somewhere I must have decided that I needed these interests to maintain my sanity in my job." Nadkarni believes that he has the gift of the *dhristi* (sight) — the instinctive ability to spot birds. He also has a remarkable collection of stamps on the same subject as well as a number of books on them.

He also believes that one must take time off to communicate with the self ("however hackneyed it may sound"). This is one reason he prefers to stay in his own flat, which is a 40 minute drive from his office, rather than in the IDBI quarters. Says Nadkarni: "Most people consider the time spent commuting to be a waste, but I see it as a time to be alone with myself."

For the future, Nadkarni has no fixed plans and would like to take life as it comes. "Who knows, perhaps I might go back to my long-cherished desire and take up the study of Sanskrit literature." One can bank on him to do something original.

□ Meenu Shekar

The Children's Film Society of India, recently renamed the National Centre of Films for Children and Young People (NCFCYP), is all set to don the corporate mantle. And the man behind the show is Sunil Doshi.

"We want to restructure the society and introduce a corporate culture," says he. A management graduate from the Narsee Monjee Institute of Management Studies (Bombay), Doshi has joined NCFCYP as a consultant and also heads the recently-formed festival management cell (FMC). He was earlier senior sales engineer with Tata Telecom.



DOSHI: *Winds of change*

Says Doshi: "I want to introduce the art of management to this organisation also. At present the only management the film industry is capable of is crisis management."

His first step has been to form the FMC for the eighth international film festival to be held by NCFCYP in November 1993. "In India we generally wake up to these things only at the last minute instead of planning in advance," says Doshi. "But this time things are going to be different. We have already set the ball rolling."

Doshi also has plans to beef up the marketing cells both in India and overseas. Says he: "The whole exercise would be pointless if we are not able to sell our films. We are trying to explore all avenues for funds and resources."

Will he, with his management techniques, be able to introduce a more corporate culture in the society? It certainly won't be child's play.

There's always life after the corporation, the exit policy brouhaha notwithstanding. For the creative types, argues Mimi Banerjee,



BANERJEE: *Gaining satisfaction*

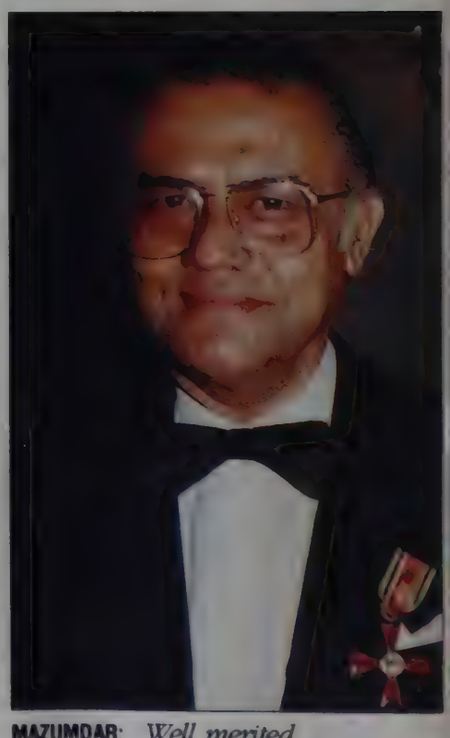
opportunities are aplenty. Till recently a mollycoddled executive in raj bastion ICI, Banerjee ended her decade-long career as colour coordinator and decor services manager to take the plunge as an independent businesswoman.

Apart from launching interior decoration services Artistique — Banerjee has a US postgraduate diploma in interior design — she has ventured into a cute little niche: designer rag dolls. Cuddly, attractive and wholly contemporary — for instance, they are machine washable — Mimi dolls (appropriately christened) were an instant hit when they were unveiled in Calcutta recently. Banerjee designs them herself — doubtless a cinch for the Santiniketan fine arts alumnus.

"I have also been able to give employment to quite a few semi-destitute women, which to me is a matter of great satisfaction," she says.

Mimi dolls could well be earning dollars for the country very soon. Truly, from the humble acorn does the mighty oak grow...

With Bharat Ratnas hogging media columns these days, let's find space for the Cross of the Order of Merit. The coveted German honour was conferred recently on S.R. Mazumdar, the Calcutta-based regional secretary of the Indo-German Chamber of Commerce. For many years, Mazumdar has been unassumingly doing his bit for coordinating the several substantial core sector German investments in the region; the recognition is therefore well-merited and has been earned the hard way.



MAZUMDAR: *Well merited*

"It also reflects Germany's continued interest in the eastern region," says a delighted Mazumdar who reasons that a good chunk of new German investment in India might gravitate to these parts. If Siemens' recent green signal for a new Calcutta factory is a pointer, Mazumdar seems to be quite right.



Is this what most people really know about courier services?

When you want to courier a parcel, you've got to do better than call up a courier with the standard more-expensive-means-more-reliable supposition.

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Maadhyam

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you'll be surprised!

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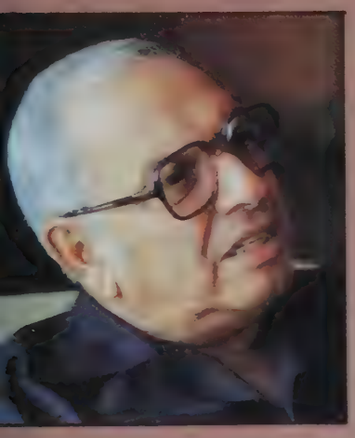


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WHAT MAKES R. P. GOENKA TICK?

BusinessWorld

THE MAGAZINE FOR INDIAN BUSINESS







Tisco chief Russi Mody is 74. But he does not want to hang up his boots.

Time to pack up, says Tata Sons.

Tata Chemicals chief Darbari Seth is 71. But he is still going strong.

CAN THE EMPIRE HOLD

Don't compromise the life of your engine



Like your body and heart need good blood, an engine needs good engine oil.

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BUSINESS QUOTES



In today's environment, the winner is one who can take a good idea and push it faster than the opposition.

Parle Exports chief Ramesh Chauhan, quoted in A&M.

I owe it to Rajiv and his liberal policy for what I am today. I expect nothing in return.

Growmore Research & Asset management chief Harshad Mehta, after donating Rs 25 lakh to the Rajiv Gandhi foundation, quoted in Business Today.

The bubble had to burst one day. It was waiting for the prick!

Bombay stock exchange executive director M.R. Mayya on the fall in share prices following the State Bank of India securities scandal, quoted in Sunday Mid-Day.

Why are we so diffident about the capacity of our own people? They are doing well in several countries abroad.

Tata Iron & Steel Co chairman & managing director Russi Mody on fears of competition from multinationals, quoted in Business Standard.

There are still too many restrictions. We still don't understand what free enterprise means.

VIP group chairman & managing director Dilip Piramal on his decision to shift base to London, quoted in India Today.

The logic of liberalisation has not been extended to us.

ANZ Grindlays India chief R.J. Edgar on credit policy, quoted in Business India.

(India) is basically stealing. It is absolutely theft. Why should we be promoting it?

Deputy US trade representative for Asian and Pacific affairs Nancy Adams on India's lack of effective patent protection for US intellectual property, quoted in The Independent.

It is natural that he who pays the piper should try to call the tune.

Nigerian finance minister and chairman of the Group of 24 Alhaji Abubakar Alhaji on the International Monetary Fund and World Bank shifting focus from developing nations to the former communist countries, quoted in The Times of India.

Busine

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INVESTMENTWORLD

SECURITIES SCANDAL

The recent scam in the gilts trade has thrown the money and capital markets in disarray. Should they have been left unregulated in the first place?

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CORPORATE

BATTERED BY PROBLEMS

A recession in the automobile industry and a slew of other problems has landed Standard Batteries Ltd (SBL) in the red. Adding to its woes is labour trouble at its Vakola unit.

37

A NEW FOCUS

The Bombay-based speciality chemicals and engineering company Grauer & Weil (India) is going places. Its president Suresh Pareek has drawn up new plans for the company which include manufacturing import-substitute chemicals, consolidating existing businesses and pushing exports.

PAREEK: *Plans aplently*





RATAN TATA: *Troubled times*

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COVER STORY

WILL THE EMPIRE HOLD?

With patriarch J.R.D. Tata stepping down, successor Ratan Tata is trying to introduce changes in the Tata empire. But the old guard has been fighting back.

42

POWER-PACKED PLANS

With the business climes freer, there's an undercurrent of bullishness at English Electric. Managing director C.R. Balasubramanian wants to make it an ISO 9000 company.



BALASUBRAMANIAN: *Bullish*

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BANKING & FINANCE

A RENEWED INTEREST

The Reserve Bank of India's decision to relax its grip on interest rates has sparked off an interest war. For investors, this means more choices.

71

IN THE NEWS

A SWEET FORAY

Calcutta-based Mangalam Products has tied up with Japanese confectionery bigwig Lotte Co to make stick chewing gum. Managing director Manoj Daga is confident his plans won't come unstuck.

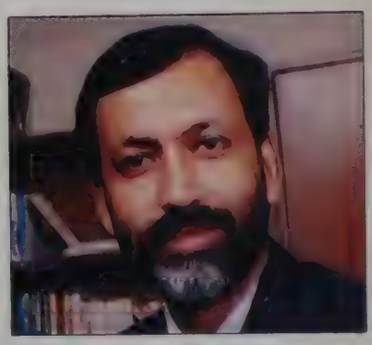


DAGA: *Gung-ho on chewing gum*

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INFORMATIONWORLD

LOGICAL PROGRESSION



PAWAR: *Not only training*

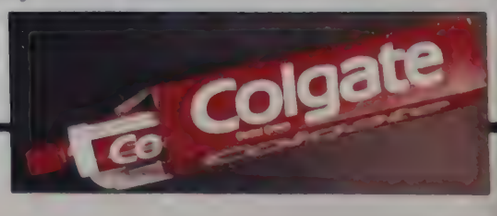
NIIT has now diversified into software, sales training and cable TV. In line with this expansion, managing director Rajendra Pawar and CEO Vijay Thadani have restructured the company into six business groups.

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AD&MARKETINGWORLD

COLGATE'S NEW CHALLENGE

It's still the toothpaste champ. But the going is not as easy as before as the competition is getting stiff.



12 JUN 1992
C. F. T. R. I., MYSORE

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ECONOMY

THE LONG WAIT

The red tape has been unrolled, but it's too early for any euphoria; foreign investors are feeling their way about, cautiously. All that the government can do is wait for its efforts to pay off.

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THE BIG SQUEEZE

Fertiliser prices may be raised in July. But that will afford meagre relief to



A FERTILISER PLANT: *No relief*

an industry that is buffeted by rising input costs and the government's non-payment of subsidy dues. With fertiliser price decontrol a distant prospect, the industry's prospects are bleak.

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THE TELECOM TANGLE

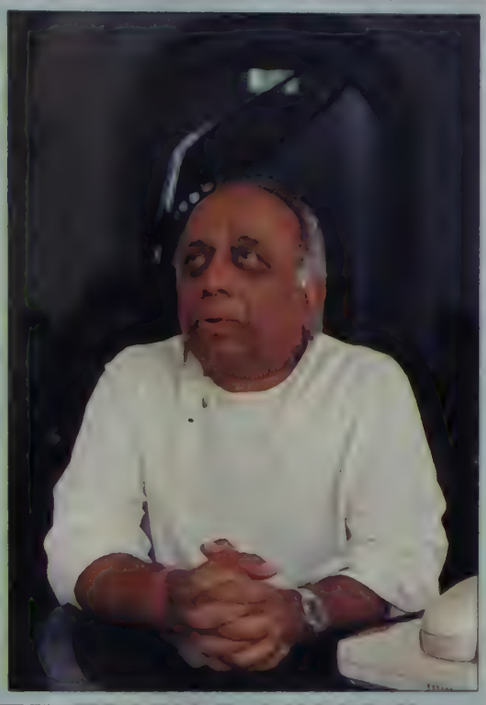
Some 30 companies are vying for contracts to run cellular phone systems in the four metros. With the government about to shortlist companies, the lobbying is hotting up.

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SPOTLIGHT

FORGING AHEAD

Rama Prasad Goenka is the sort who dreams with his eyes open. The result: in just a dozen years, he has multiplied his Rs 70 crore inheritance of 1979 nearly 40-fold.



GOENKA: *No pipedreamer*

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INTERVIEW

"POWER SUBSIDIES MUST GO"

National Thermal Power Corp (NTPC) chairman & managing director P.S. Bami believes that subsidies are being "treated as a social service." He believes that the entire power sector has to be revamped.



BAMI: *Calling for a revamp*

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BACK OF THE BOOK

EXECUTIVE INSOMNIA

Most yuppie executives today have the wrong bedfellows — their problems. It could end up as sleepless nights.



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PAPER MELEE?



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A LONG WAY TO MATURITY

The point that the Indian money sector is still very fragile and vulnerable has been jointly and severally re-made in the recent past.

Take a look at the stockmarkets. After a three-year embryonic existence, the Securities & Exchange Board of India (Sebi) — now baptised by way of parliamentary approval of its existence — has suddenly grown not teeth but fangs. With an unexpected and unwarranted display of gross arbitrariness, Sebi has been in a tearing hurry to establish its suzerainty — hardly making itself popular amongst the 5,000-odd members of the country's 21 self-governing stock exchanges. The latter closed shop, forcing Sebi to backtrack. This is immaturity at its most puerile.



When bank employees strike work, the motive force is not hunger but greed

Next, by the time the stockmarkets reopened after the shutdown, it found another crisis on its hands. Amazingly, a nationwide crash — the Bombay stock exchange sensitive index (BSE Sensex) dipping by 570 points in one day can be hardly termed a 'correction' — was caused by the doings (or undoings) of a single broker. Even without going into the merits or demerits of this person's alleged deals with a commercial bank, there is a lesson to be learnt here. Which is that it is still all too easy to manipulate the money market system in India, which remains a vulnerable prey to individuals with vaulting ambitions.

Meanwhile, the commercial banks themselves continue to make a spectacle of themselves both in operations as well as in labour. The pursuit of cynically populist policies by the government during the seventies and eighties has left the banking sector in perpetual thrall of its estimated 8.60 lakh-strong army comprising 2.27 lakh officers, 4.46 lakh clerks and 1.87 lakh subordinate staff. When Charles Dickens' Oliver asked for more, at least he was hungry. But when bank employees strike work, as they did yet again on 30 April, piling demand upon demand, the motive force is not hunger but greed.

Clearly, a mature, stable economy is still a long way away.

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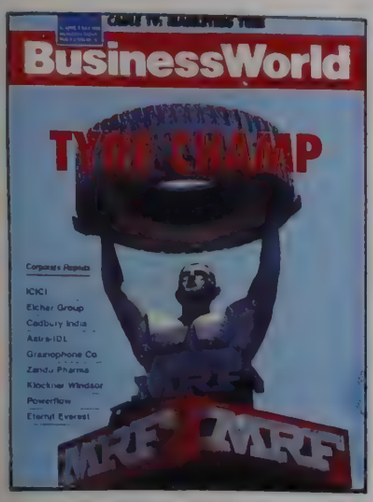
THE REAL RADIAL
JK STEEL RADIAL



JK TYRE

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LETTERS TO THE EDITOR



REMARKABLE ACHIEVEMENT

This refers to the Cover Story 'Tyre champ,' (*BW* 22 April-5 May 1992). It is remarkable that all five of MRF's units are doing well despite the international and domestic recession the industry is in. But what is even more heartening is the value the company places on each of its employees — something quite rare in today's corporate world.

Vivek Sahni
Bombay

INCULCATING ETHICS

I was really amused by the Back of the Book Report 'The ethical question' (*BW* 8-21 April) because I had never expected to hear of some institution organising a conference on ethics in business. That too in India!

The Xavier Labour Relations Institute, Jamshedpur, has done a commendable job by at least bringing the topic up for discussion/debate among company directors, industrialists and academics. Though it's a fact that ethics and business stay poles apart in our country, the corporate sector can definitely make a start by inculcating the habit of fair business practice amongst its managers etc.

Arta Mishra
Cuttack

INSIGHTFUL REPORT

The Back of the Book Report 'Executive guilt' (*BW* 8-21 April) was a refreshing and insightful one on a little-known aspect of the executive lifestyle. It's good to note that men are awakening to their responsibility as parental partners in the context of the nuclear family.

There are many women who have given up careers or just not worked so as to bring up the children. Corporate India can no longer neglect this human resource. Flexitime is but one answer. Employing women whose children are grown and settled is another option.

A stable home atmosphere is essential not only for the child but for the executive couple as well. Asking what your company can do for you is gaining as much importance as what you can do for the company.

N. John
Madras

NO RESTRICTIONS

This refers to the Ad&MarketingWorld Report 'Cola wars' (*BW* 8-21 April). We wish to state that some of the statements attributed to Pure Drinks chief executive Madanjit Singh were not made by him and he has been quoted out of context. No talks or discussions are being held with Coca-Cola, which in any way will not allow us or restrict us from making our products like Campa Cola etc.

Ajit Singh
Managing director
Pure Drinks (New Delhi)
New Delhi

A SUGGESTION

One of the main reasons for my subscribing to *BusinessWorld* was that it would keep me informed about both the government rate and the free market rate of the rupee compared with western currencies. However, I was surprised to find only the government rate, and not the free market rate, in Economic Review.

Please consider carrying the free market rate also, as I am sure it will be of interest to many.

Remy van Nieuwenhoven
The Netherlands

DEPOSITORS' CODE

The British banking industry will soon have a new code to guarantee minimum standards of bank practice and to protect customer rights. The code will tell customers what they should expect from banks, and will help them understand how their accounts operate. It will be issued to all bank customers at the time of opening an account.

Will the Indian Banks Association and other departments and committees associated with banking activities also start thinking of a similar code for Indian bank depositors? Of course, the whole exercise will work only if the development of the skills of bank personnel also gets top priority.

Surendra Kanstiya
Bombay

A CLARIFICATION

In the Cover Story 'Tyre champ' (*BW* 22 April-5 May) we had mentioned that the Mappillais are orthodox Syrian Catholics. They are actually orthodox Syrian Christians, a non-Catholic denomination.

The designations in *Malayala Manorama* (given incorrectly in the article) are: chief editor K.M. Mathew, editor & managing director Mammen Mathew, managing editor & general manager Philip Mathew and resident editor & general manager Jacob Mathew. — *Editor.*

PARTICIPANTS AT THE CONFERENCE: *A good start*



JAIPRAKASH COUP

It is common knowledge that Hilton International has been trying to get an entry into India for years now. In 1988, its high and low search for a partner ended with its choice of Shaw Wallace; with Samir Ghosh coming in from ITC to advise on the hotels project, Hilton's Indian entry seemed imminent even a couple of years ago.

A great deal of water has flown down the Ganges since: Ghosh has moved to Dunlop, Shaw Wallace is not the same again and its memorandum of understanding with Hilton International lapsed earlier this year after one biannual renewal was not followed up with another. Meanwhile, the Delhi Tourism Development Corp (DTDC) has announced the acceptance of bids for a prime piece of land near the blind school adjacent to the Delhi Golf Club, a stone's throw from the Oberoi.

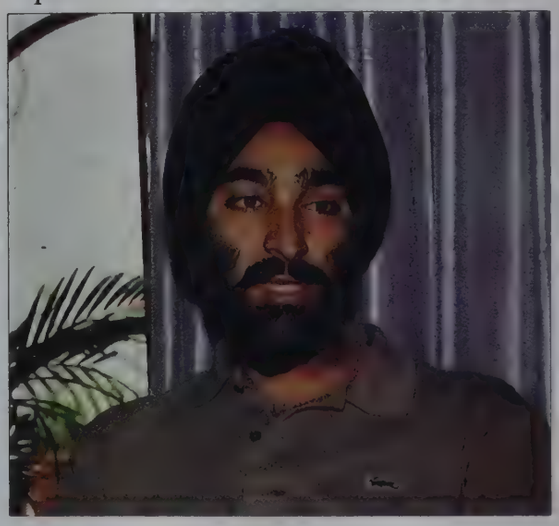
Predictably, Hilton has not missed out on making its bid and, interestingly enough, has chosen Jaiprakash Industries Ltd (JIL) as its preferred Indian partner this time. For JIL, this is doubtless quite a coup — but it's not talking about it yet because the joint bid with Hilton will have to first compete with heavyweight competition. And if DTDC's award goes elsewhere, the Hilton-JIL tieup will remain exactly where it is now: on paper.

MAX LOOKS OVERSEAS

Is Delhi-based chemicals, printed circuit boards (PCBs) and pharmaceuticals manufacturer Max India following in the footsteps of Ranbaxy Laboratories? Headed by managing director Parvinder Singh, Ranbaxy makes drugs and has a joint venture overseas.

Recently, Max India (headed by Parvinder Singh's younger brother Analjit Singh) announced that it was stepping up its drugs manufacturing programme and that it had set up a major sales and distribution network for the purpose. What Max India officials didn't announce, however, was that Max is contemplating a foray overseas.

Max India managing director Analjit Singh declined to comment on the proposed overseas venture on the ground that it was premature to do so, but the company is apparently exploring the possibility of buying a PCB plant in Minsk in the former Soviet Union. Evidently, Max is poised to bag hefty overseas orders for PCBs, but doesn't have the production capacities to meet the orders. Indian PCB plants have relatively small capacities, which is why Max is scouting for a readymade foreign factory.



ANALJIT SINGH: *Eyeing foreign shores*

The second proposal relates to setting up a joint venture drugs company in east Asia, Europe or Dubai. (Ranbaxy already has joint ventures in Thailand and other countries.)

The jury is still out on both overseas ventures, but Max certainly is eyeing foreign shores.

DICTATING RESEARCH?

Academics in the capital and elsewhere are up in arms over what they describe as the government's subtle attempts to arm-twist them into conducting research on topics currently in vogue: liberalisation, trade reforms and the like.

Institutes such as the Indian Statistical Institute, the Institute of Economic Growth — finance minister Manmohan Singh was recently elected its president — and the Gokhale Institute of Politics & Economics are almost entirely funded by New Delhi or by the states. And the Indian Econometric Society, a body of leading economists, gets government or Reserve Bank of India grants for conferences. In some cases, a part of the funds comes from the University Grants Commission (UGC) and the Indian Council of Social Sciences Research (ICSSR). A planning commission committee too funds research at these institutes.

Faced with a funds crunch, the government has slashed UGC and ICSSR budgets. In turn, they've cut grants to academic institutions. The planning commission too said that it would, from 31 March 1992, stop funding the planning and development sections (both conduct research studies in these areas) of the Institute of Economic Growth. The Institute managed to win a three-year grace period, although funds have been cut.

Academics at these institutes claim that institutions that conduct studies on topics relating to liberalisation get plenty of government cash. "And, in effect, we're quietly told to reorient our research," says a source. "There's nothing in writing — it's all verbal."

As a result, several bodies are planning to seek private sector funding from business houses such as the Tatas. But their funding prospects seem bleak. Says the source: "Who'll finance research on an abstract theoretical model?" Good question.

HOTELIERS' TACK

With offseason hotel occupancy rates down to 55-65%, a couple of hotel biggies are eyeing new ways of drumming up business. The latest gambit: workshops and conferences. The Oberoi, for instance, is kicking off a workshop on capital markets in end-May in Delhi, in conjunction with D.N. Vijay Financial Services. The hotel chain is exploring the possibility of launching similar workshops in other cities with other companies and agencies. Others may follow the Oberoi example. If that happens, a diarrhoea of workshops and seminars can be expected over the next few months.

THE HARVARD HABIT

The multinationals are coming, so where are Indian businessmen and industrialists headed for? To Harvard



AJAY PIRAMAL: *Back from Harvard*

Business School, of course, to bone up on the latest management techniques.

The latest to complete the three-month intensive management course at Harvard is Piramal Enterprises chief Ajay Piramal, following in the footsteps of brother Ashok Piramal (since deceased), Manu Chhabria, Anand Mahindra and the like. Soon to join the bandwagon is Ashok's wife Urvi Piramal. Incidentally, Ajay's wife Swati has also just completed a six-month course in advanced healthcare at Harvard. B-schools, like business, run in the family.

ANOTHER TAKEOVER

It's takeover time in the banking sector. Close on the heels of the takeover of the Bank of Madura, the Mittals of Calcutta have brought under their fold the Sangli Bank in which the Vasantdada Patil family owned a major stake.

The Mittals, it is said, have picked up a 51% stake in the Rs 2.25 crore equity capital of the bank at an average price of Rs 750 per share. Though no individual or corporate entity can hold more than 1% of the total equity, the Mittals have got around the hurdle by forming a consortium of individuals to front for them.

MUTUAL AGREEMENT?

The first major Calcutta-based mutual fund is slated to take off very soon. For this, high-profile candidates like ITC, RPG, Duncans and so on have been overtaken by two somewhat unfancied parties. They are the Industrial Reconstruction Bank of India (IRBI), now being reborn as a top-drawer financial institution under the dynamic leadership of tough chairman T. Panduranga Rao, and Bijon Nag's IFB Industries, makers of fine blanks and Bosch washing machines, amongst other items. With both partners equally eager to make a success of this mutual fund joint venture and strengthen their respective reputations, this yet-to-be-christened company's launch is expected to be accompanied by a starburst of media hype.

CHHABRIA FACELIFT

Manu Chhabria wants to improve Shaw Wallace's corporate image. Last fortnight, he went ahead and appointed Rediffusion as the ad agency specifically mandated to clear up the disinformation-coated muck and restore spit and polish to this once pucca company's once pucca image.

Shaw Wallace executive director Jolly Bhargava introduced Rediffusion's senior general manager A. Bijapurkar to Chhabria, and the latter was impressed enough by Bijapurkar's presentation on 30 April to hand over the account. Its billing value, though, could not be immediately ascertained. The new media campaign promises hi-voltage high visibility — and can't come cheap.



CHHABRIA: *Image revamp*

KEEN TO SELL?

Is Guest Keen Nettleford (GKN) again trying to sell off its controlling interest in Guest Keen Williams (GKW) now that the latter is sighting happier days again?

Corporate monitors keeping tab on this engineering company *inter alia* famous for its nuts and bolts are pretty sure that this is indeed so. They also suggest that P.K. 'Bodie' Nanda of Metal Box fame is playing a key role in finding a buyer.

Two or three names are being bandied about as potential bidders. One of them is the Hongkong-based Jhunjhunwala family which bought the Courtauld stake in Shalimar Paints around two years ago. Another is that of RPG Enterprises — an omnipresent name when it comes to takeover negotiations.

INTERESTING

END

The prolonged drama over the fate of the ailing Cement Corp of Gujarat Ltd (CCGL) ended last fortnight. Narotam Sekhsaria of Gujarat Ambuja Cements has finally conceded defeat, and Mahendrabhai Mehta has managed to retain control of CCGL against considerable odds.

The real victor, so to speak, has been none other than Gujarat's canny chief minister Chimanbhai Patel. The Gujarat government's memorandum of understanding with Mehta initialled earlier this month envisages that the latter will purchase the state government's 26% stake in CCGL held through Gujarat Industrial Investment Corp (GIIC). Reliable sources say that Mehta has agreed to cough out Rs 55 per share, a deal that sets him back by around Rs 50 crore.

The corridors of power in Gandhinagar are agog with speculation that the M.P. Birla wing of the Birla family has helped Mehta out to enable him to seal the deal, buy GIIC out and retain control over CCGL. Mehta's son was married to Ashok Birla's daughter who perished in the ill-fated aircrash with her parents. Ashok Birla's son Yashovardhan, who is also the anointed inheritor of the M.P. Birla empire, is thus Mehta Jr's brother-in-law. This explains the nexus. Or so runs the convincing argument.

"POWER SUBSIDIES MUST GO"



In his 16 years at the National Thermal Power Corp (NTPC), P.S. Bami has attended nearly all the utility's 125-odd board meetings. Yet, as he retired last fortnight, NTPC's 59-year-old chairman & managing director had much more to celebrate. The government's investment of over Rs 18,500 crore in the power utility represents almost 15% of its total investment in the public sector. "Steel Authority of India Ltd (Sail) is much less, ONGC (Oil & Natural Gas Commission) is much less," Bami points out with pride. NTPC accounts for over 30% of the country's thermal power generation, and 23% of overall generation. It has huge reserves: Rs 3,452 crore. In an interview with BusinessWorld*'s Palakunnathu G. Mathai two days before he retired, Bami talked of, among other things, the Asea Brown Boveri (ABB) tender controversy, the power industry's problems and NTPC's future plans. Excerpts from the interview:*

■ NTPC has been caught in a controversy over the ABB tender. What really happened?

We have always done procurement professionally. In an international tender particularly, we go in a very systematic manner. This was a very clear and, to my mind, a very simple case. It was a case in which one company quoted the lowest. When bids were evaluated later, it was also the lowest. We asked for a rebid because the currency had been devalued.

We laid down qualifications, and all the three bidders — Mitsubishi, Nish Owai and Marubeni — qualified. ABB is not the main bidder. ABB tendered with Marubeni, the Japanese trading house. We have three Japanese consortia as bidders. Bhel (Bharat Heavy Electricals Ltd) is a very minor part of one consortium. And this is a tender funded by OECF, the Japanese government funding agency. It has its own procurement rules, and we have to follow them. Even the specifications were cleared by OECF. The funding agency was consulted all along, and they concurred with our decisions.

Thirdly, we had taken loans from the Japanese funding agency, in two instalments, amounting to almost Rs 1,000 crore. For two years, we had not spent a single penny. They warned us that if we did not spend the money before the end of March, we could forget about the third instalment. They said they'd have to call back even the first two instalments.

This letter came to the government. The government's instructions were, please finalise (the contract) before 31 March, and draw the money. The board took the decision. I don't understand the controversy being raised.

■ What is NTPC's biggest problem today?

The biggest problem for us today is recovering our dues of Rs 1,161 crore. We had Rs 4,000 crore sales last year. Even if 90% is realised, Rs 400 crore remains to be realised. In three years, it becomes Rs 1,200-1,500 crore.

Basically, this is a problem relating to the health of the state electricity boards (SEBs), because they are not in a position to pay our dues. We solved the problem to some extent last year by taking over the Unchahar power station in Uttar Pradesh (UP) with Rs 925 crore.

■ How much of this was NTPC due?

The Rs 925 crore adjusted was due to NTPC. We cannot go on repeating this kind of thing. All funding agencies today look at NTPC, and say, okay, we're quite satisfied with your performance, but how do we know you'll remain healthy? NTPC should be given the discretion to supply power to people who can pay.

■ You seem to be suggesting that a lot is wrong with the power sector.

This whole industry needs revamping — its structure, organisation, management and philosophy. It's been treated as a social service in the sense that you must give subsidised rates to agriculture, to small-scale industry. I see no reason for this. The railways are much better off, because they go on raising freight and fares every year. They have the maximum interaction

with the public. Even the poorest man travels by train. And he pays for that service. How is it that an outcry is raised only when power tariff increases are proposed?

■ How has this come about, and what needs to be done?

It is historical. The SEBs were primarily part of the public works departments of the states. So the power industry basically remained organised on a semi-government pattern. No SEB today is in a position to revise tariffs. On paper, it can, with the approval of state governments. Now state governments, for whatever reasons, do not give approval. The board gets a bad name for running into losses. Secondly, the composition of the boards is completely in the hands of the state governments. No professionals are put on the board.

■ What other issues does NTPC face?

We must get new projects. The avenue has been opened through my latest discussions with the World Bank. They will fund projects through the "time slice" approach. This means that a $400 million loan will be given over a period of four years for four-six projects, and the money has to be spent over this period. One of the major points they've raised is that the NTPC projects the bank is funding must be commercialised.

■ Which are these projects?

Basically, Rihand II, Vidyachal II, Yamunanagar, Farakka III. There's Talcher, Faridabad also. In principle, the bank is willing to commit almost $1 billion, of which $400 million is the first instalment.

■ NTPC's corporate plan mentions a number of new projects. What's happened to them?

We were thinking of doing some projects — Rihand II and Vidyachal II — on a bilateral basis. That may not take place now. The Russians may not be able to fund these on the terms we want.

■ Will NTPC be putting up 10,000 Mw during the eighth plan, as mentioned in the corporate plan?

There are indications that much less gas will be available for power. But power is an important infrastructure. After a few years, if additions to capacity don't take place as they took place in the past, we'll be heading for a very big shortage. It will be difficult to achieve the eighth plan target. Much of it is on-going, but the new capacity additions may not come about in the eighth plan. Our own estimate of 10,000 Mw in the eighth plan has come down to 7,000 Mw. Time is the problem. Even 7,000 Mw may not be possible, because our on-going projects are only 4,500 Mw.

■ What's happened to all the plans to set up joint ventures with the private sector?

If we put up a joint sector project, we should be given our due role. And it should be a new entity, not a part of NTPC. We'll be promoting that company along with others. We've even told Bhel that we're willing to put up a project with them. I'd told them, let's take up the Visakhapatnam power project.



NTPC must be given the discretion to supply power to people who can pay

■ At what stage is the proposed joint venture with Bhel?

Well, they're considering it. I've sent them a proposal. Similarly, we've offered to set up a joint venture with ABB at Bowana near Delhi. Right now, we're discussing a project near Neyveli with Siemens and McNally Bharat. We had a discussion 10 days back with them. They wanted NTPC to take some shares in that, and to provide some services. GVK Industries in Hyderabad has a letter of allotment for a gas project. We are also trying to help that company by providing services such as project management.

■ You had a number of projects in UP, in the south and in Gujarat. Have these got going?

Apart from Unchahar, we have Dadri which is getting commissioned now.

■ You had some other project with the UP government.

That was a distribution project in Noida. We're still interested in that. I do believe that NTPC could also create a model for distribution companies. We're trying to see the viability of that company. If Noida and Greater Noida are combined, it becomes viable. But only Greater Noida is being suggested. The government has formed the company, I understand.

■ NTPC's plant load factor (PLF) has been slipping for some years.

No, no. It has gone up by 10 points over last year. From 61%, we've done 70.17% in 1991-92. In 1989-90, it was 67.98%. In 1988-89, it was 68.39%. So it is the best in the past four years — and at a much larger capacity because in these four years we've added almost 5,000 Mw.

■ How did you achieve this?

This is what a management is supposed to do. It was really a very big effort, and I'm happy that we achieved this.

■ As chairman of a public sector enterprise, have you had the freedom to operate?

Nobody has full freedom in this world. Everybody has constraints.

■ What kind of constraints have you faced?

There are regulations which limit the investments you wish to make, there are clearances that take an unduly long time. Then, you hardly have any discretion in rewards. The system does not distinguish between performance and non-performance.

How do you motivate your people? I've known of a Rs 5,000 raise being given to a manager in private industry. Unless you are able to retain talent, unless you're able to reward people... you cannot run industry in a government way. I know that it has been a struggle to keep my people motivated.

■ One last question. Where do you see NTPC five years down the road?

If the commercial aspect is taken care of, it has a great future because we are the agent of change of the power sector.

■ If not?

The problem of liquidity will come. We will not be able to grow. Without growth, stagnation comes. With stagnation, demoralisation sets in.

India is doing some hard sell.

FEW TAKERS

It's the phenomenon of the disappearing Ugly Alien. That's back to the time when the foreign investor was viewed with suspicion, project proposals scrutinised minutely and elaborate conditions laid down for those who braved the barriers. As India Inc hits the road to woo fresh investments, the Ugly Alien is one image which is fast fading out. Says an official at US multinational Motorola: "MNC (multinational corporation) used to be a bad word in India just a few months ago. That's no longer the case."

Certainly, that's true of the government's leading lights. Commerce minister P. Chidambaram, whom one apex chamber of commerce official describes as India's chief marketing officer, has been barnstorming possible investors abroad. Last month, Chidambaram visited Los Angeles and other US cities. He is scheduled to fly to Geneva. Earlier, finance minister Manmohan Singh visited Tokyo and Singapore, and even prime minister Narasimha Rao, who is scheduled to visit Japan next month, broke with tradition to invite Indian industrialists to accompany him on overseas tours.

That wasn't the only tradition which was shed in the quest for investment. Last fortnight, a Taiwanese delegation made a quiet reconnaissance visit to New Delhi on the invitation of Reserve Bank of India (RBI) governor S. Venkitaramanan. Incredibly, Taiwan — the largest foreign investor in China and Malaysia — had problems in getting visas to visit India because of government fears of offending China. As bureaucrats tried to keep the delegation's visit a secret, an industry association official fumed: "The government should show that it means business."

Says external affairs ministry additional secretary Arundati Ghosh (who heads an economic affairs cell in the ministry): "Everybody wants to know why India did such a flip — from dissuading MNCs to attracting them." Answers a government economist: "Equity is cheaper than debt."

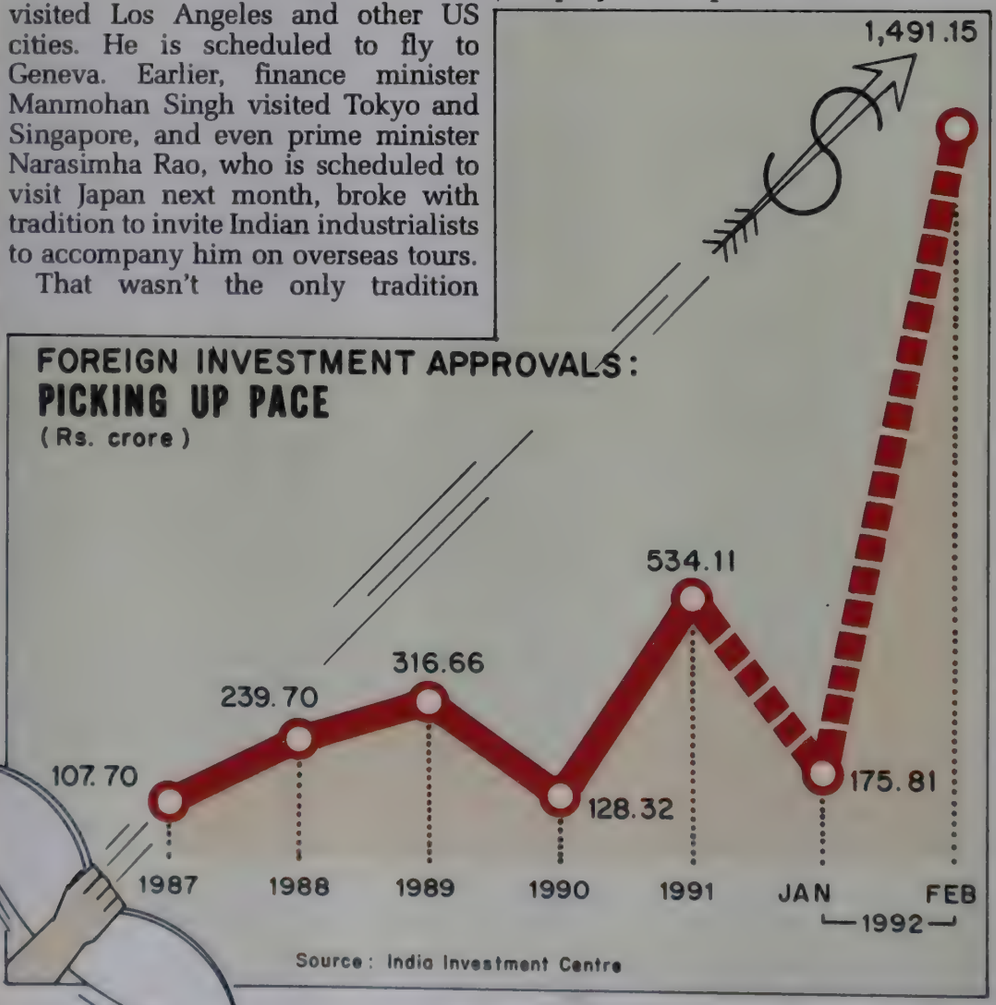
A debt trap? That was an important consideration amidst mounting fears that India could be sliding into a Latin American-style debt trap. To attract investors, the government has been announcing a constant stream of sweeteners including permitting MNCs to hold a 51% equity stake in projects. Red tape, a constant bugbear, has been considerably diminished by the introduction of automatic approvals, subject only to RBI clearance for high-priority industries. And amidst other changes, the government also set up the high-profile Foreign Investment Promotion Board (FIPB) to further speed up direct foreign investment.

That made the external affairs ministry's task of projecting India's new investor-friendly image considerably easier. "We were always marketing India," says Ghosh, "The difference is that now it's a far more saleable product."

It also made for more aggressiveness in attracting investors — at least in some areas. Take the tussle for the Ford plant to manufacture aluminium radiators. After a quick survey, Ford executives settled on Noida as the best location for the plant, only to change their minds when a Rajasthan government delegation flew to Detroit to make a presentation touting their state. The result: Rajasthan walked away with the Ford project.

But with such street-smart marketing savvy being the exception rather than the rule, not everyone was satisfied with the government's efforts. Grouses the government economist: "We're not marketing ourselves. You have to go out and chase these guys." Agrees Jayant Bhuyan, director at the Confederation of Indian Industry (CII), which has been lobbying for industry to accompany ministers on visits abroad: "The government has to show that it means business. And remember, the existing industry is your best ambassador."

Still, taking project approvals and foreign collaborations as the yardstick (see chart), the changes in government policies do seem to be bringing in the



cash. In 1991, foreign investment approvals jumped to Rs 534 crore, up from just Rs 128 crore the year before. And last fortnight, Union minister of state for industry P.J. Kurien reeled out the latest set of impressive statistics in parliament: as many as 364 proposals involving foreign investment of Rs 1,256 crore were approved in March this year.

There is a catch, however. Approvals do not necessarily translate into actual projects. Admits an official at the India Investment Centre (IIC), a government-run body which monitors the influx of foreign investment: "Yes, approvals have shot up. But approvals will not help us reduce the foreign exchange deficit. We have to wait and see how much money really comes in."

There's reason for that pessimism; an IIC study conducted a few years ago concluded that only 30% of the proposals approved in 1985 actually took concrete shape.

Catch two: the numbers may tell an upbeat story — when compared with India's past performance; but juxtapose them with foreign investment figures of other developing countries and they look less rosy. To put the numbers in perspective, neighbouring Sri Lanka managed to rope in investments of roughly $2 billion last year.

But few in the government are downbeat. Kurien dismisses the 1985 study. Says he: "At that time, the industrial atmosphere was different. That's changed now. Once a project is approved there should be no problem in putting it up."

In private, however, government officials paint a less bright picture, agreeing that a rise in foreign investments need not necessarily mean projects on the ground. Notes the government economist: "In 1989, foreign investments shot up. This was basically because of the RPG-Linde project, which has not been implemented yet."

Implementation apart, the fact is that few new projects have taken shape after the new policies were announced. Most of the proposals which have been cleared — IBM, Kellogg's, Du Pont, Coke — were already knocking at the door. Notes the government economist: "FIPB cleared Rs 500 crore worth of investment till March, of which Rs 300 crore was Dadi Balsara's."

Time lag. One reason for that delay could be the inevitable time lag as corporations study the changes. Says a Western diplomat, who asked not to be identified: "It's going to take time to put things together. Very few companies would have plans ready off the shelf." And says industrialist Raunaq Singh, who has accompanied ministers on some trips abroad: "It's raining but it's not pouring yet. It'll take a couple of years for the big money to come in."

But the slow trickle of new proposals is also because at least some countries have opted to wait in anticipation of further changes. Case in point: this January, two top-level Japanese delegations visited India. Three months later, there's not even the sniff of a proposal from the Japanese. Explains S. Majumdar, market research officer at the New Delhi office of the Japan External Trade Organisation (Jetro): "The Japanese are waiting for more concessions — 100% equity stake, drastic cuts in customs duty, changes in the Foreign Exchange Regulation Act (Fera). In contrast, China seems much more attractive."

Although China is a constant example, government officials insist it is not really a fair comparison. Says the government economist: "It's unfair to compare India and China. 60% of the investments in China come from ethnic (overseas) Chinese. And 20% of this foreign investment is in oil exploration. We never get the money."

With India also competing with eastern Europe and the former Soviet states, government officials privately say that the target of attracting $1 billion in the current year is beginning to appear extremely improbable. Kurien, although he says there's no specific target, warns against excessive optimism: "We can only create the necessary atmosphere. We are competing with several other countries for scarce capital. So one should not set expectations too high."

What remains unsaid is that from the point of view of infrastructure, India is not the most attractive prospect going. Says the Western diplomat: "A lot of companies are weighing India's large market and competitive wage rates against the cost of investing in captive power stations and transport headaches. India may lose out because of concerns over the availability of infrastructure."

Still, it would be unjust to write off India's marketing effort as a damp squib. Says the Western diplomat: "There's considerable interest abroad in anything hi-tech, in petrochemicals and the power sector. My fax is working round the clock."

Although a commerce ministry study indicated that as much as 23% of the foreign investment since July was headed for the chemicals sector and another 13% for the household equipment sector, Kurien says he is content with the pattern of investment. Revealing that there are as many as eight proposals for foreign investment in power projects pending approval, Kurien says: "There's nothing to be dissatisfied about. The investment is mostly coming to the hi-tech areas."

That assertion is debatable. However, it is certainly too early for the government to count its projects. As the government economist put it: "It's still wait and watch. We're waiting; they're watching."

And, meanwhile, the Ugly Alien retreats into dim corners of some dusty bureaucratic file.

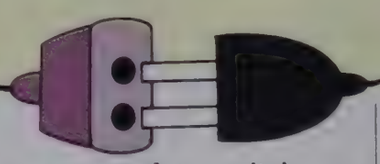
□ Sujatha Shenoy

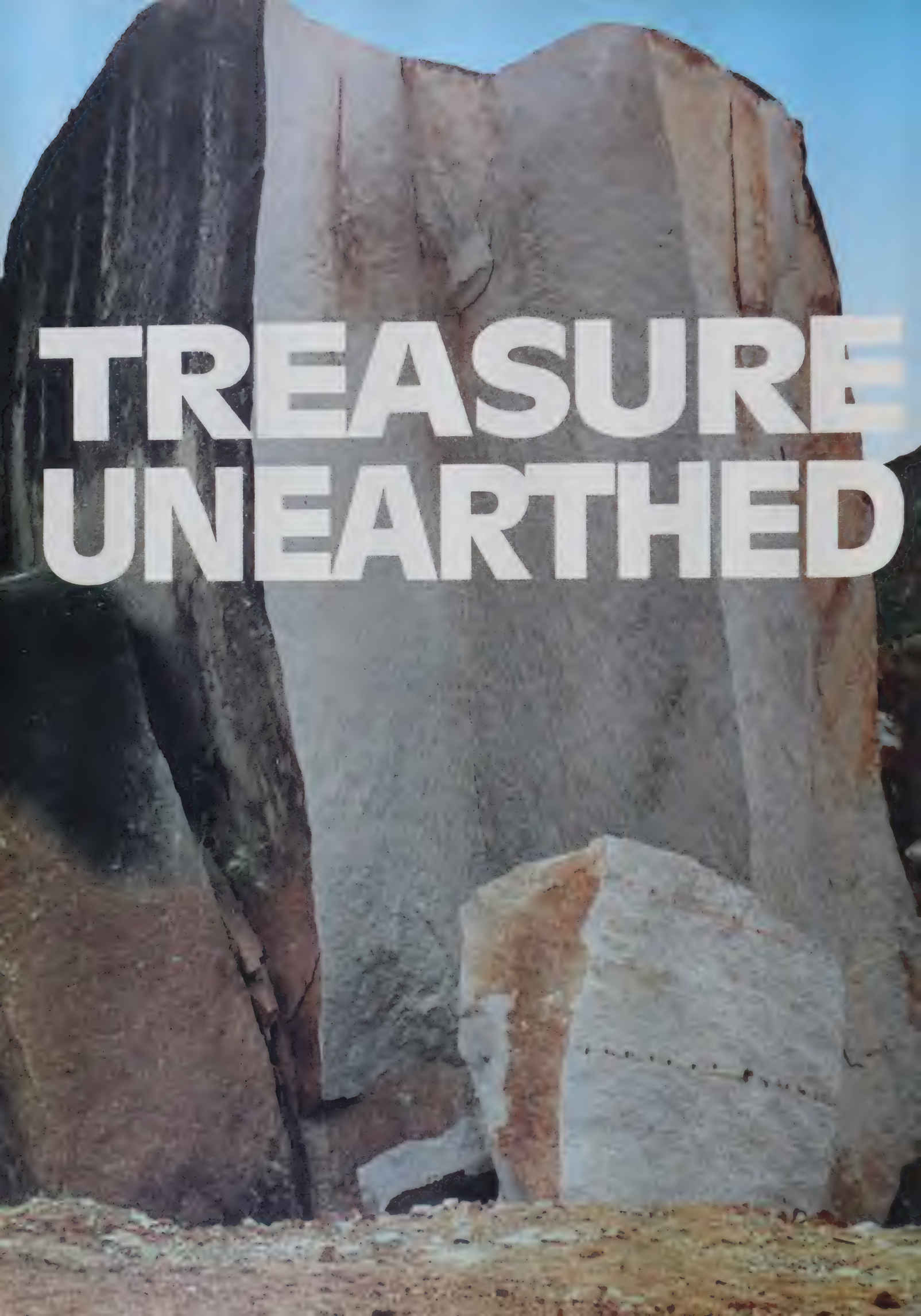
FOREIGN COLLABORATION APPROVALS:* TRICKLING IN

	No of approvals
1987	825
1988	901
1989	591
1990	662
1991	945
Jan '92	106
Feb '92	132

* Excluding NRI projects, including technical collaborations and financial investments

Source: India Investment Centre




TREASURE
UNEARTHED

The Hidden Treasures of Mother Earth

For eons, the untold riches of the elements have nurtured mankind. Water has quenched his thirst, fire has warmed him, wind has propagated his seeds and earth has nourished his crops. But it has always taken brave, enterprising men to wrest out treasures from the bowels of the earth. Those priceless minerals ... precious metals ... sparkling gemstones ... that have taken mankind beyond the realms of imagination.

The Treasure Mines of Orissa

3 billion years of activity under the earth's crust have pushed the riches of the earth to the surface. In Orissa, they are in the form of some of the richest untapped deposits of granite in the country. Granites that cover a wide spectrum of colours and encompass a vast range of granulations and textures.



Granite: The Global Perspective

From an estimated US $ 120 million worth of exports in '91-92, Indian granite exports are expected to touch $ 220 million in '95 and $ 500 million by 2001.

Recognising the potential, BTW Industries Limited, a company with an enviable track record in the timber trade, decided to diversify with a Rs.38 crore, **100% E.O.U** granite project in Jeypore. Leases on **24 quarries** spread over **672 acres** were acquired. 11 of these quarries are already operational, as is the plant which, in the first phase of operations is producing rough blocks and 54,000 square meters of finished granites. Within a few months, BTW will begin shipping different kinds of granite to hard currency areas like Europe, America, Japan and the Middle East. Together with the production volume generated by the second phase of operations, the BTW project will add **245,000 square meters** of tiles, slabs and monuments plus a sizeable quantity of rough blocks to India's export figures.

The Cutting Edge

Granite, though the most beautiful and reliable of materials known to the building trade, is also the most difficult to mine and process. Without the right technology, this industry has often been unable to meet market demands in terms of quantity and time.

At work in the BTW sites in Jeypore will be the world's best available technology. Supplied by international names that are legend in this field. Like Pedrini, Giorgini Maggi and Breton of Italy.

Machinery and knowhow put to work by BTW. To unearth the treasures of the Earth.

BTW Industries Limited
'Landmark', 228A AJC Bose Road, Calcutta-700 020

BTW

Indian Roots, Global Pursuits

Mudra:BTW:0492

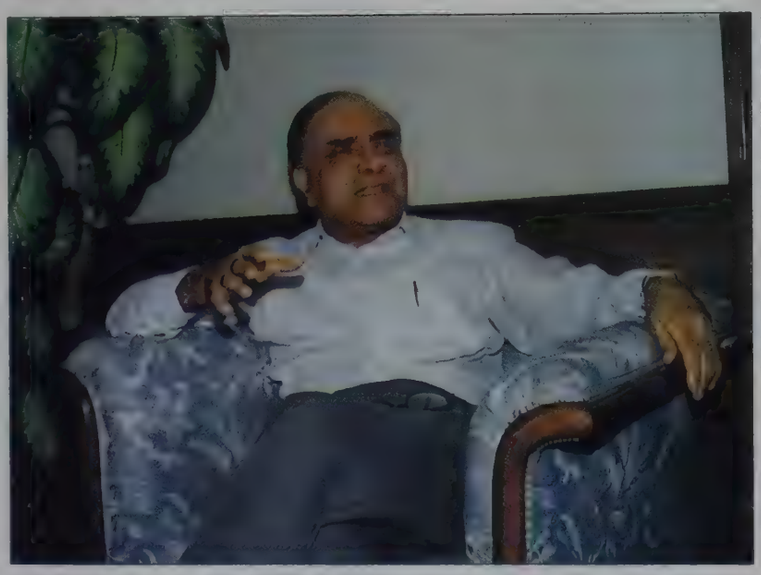
The fertiliser subsidy issue needs to be resolved.

THE BIG SQUEEZE

The government is in a quandary. On the one side, it's keen on a fair return for the fertiliser industry. Secondly, it wants farmers to get fertilisers at an affordable price. Thirdly, it wants the fertiliser subsidy contained. Finally, it wants consumers to get foodgrains at low prices. How do you marry these four?

H.S. Bawa, chief executive, Zuari Agro, and managing director, Chambal Fertilisers & Chemicals, in an interview to *BusinessWorld*.

That's a question that's been taxing the government for months. First, it jacked up fertiliser prices. Next, it upped foodgrain procurement prices. Then, it slammed the brakes on fertiliser subsidies and stalled payments to fertiliser manufacturers.



BAWA: *Scrambling for funds*

The result has been a writ petition in the Delhi high court, an unprecedented financial crisis in the Rs 10,000 crore fertiliser industry, the closure of some 24 single superphosphate (SSP) plants, the shelving of fresh investment proposals by at least one manufacturer — and some amount of recrimination. Last fortnight, Fertiliser Association of India (FAI) executive director Pratap Narayan accused the government of indifference to the industry's plight. "They have a one-point programme: I don't have the money, so I can't pay the subsidy no matter what's happening," he said.

The government, meanwhile, went into a huddle on the subsidy question. Late in the fortnight, finance ministry officials met to discuss a National Council of Applied Economic Research (NCAER) report on the industry and on ways of trimming the subsidy. And while a government economist said that the government was planning on upping fertiliser prices by about 30%, no move on resolving the fertiliser question is expected till June, when a parliamentary committee that's looking into the industry's complex pricing scheme is expected to hand in its report.

Increasing burden. At the heart of the crisis is the government's fear that mounting subsidy bills could undermine its efforts to cut expenditure, at a time when New Delhi is committed to meeting the International Monetary Fund's fiscal deficit targets. Fertiliser subsidies have been steadily climbing over the years, from Rs 33 crore in 1974-75 to Rs 5,000 crore last year.

But the subsidy is linked to a complex pricing formula for fertilisers called the retention price scheme. Introduced in 1977 following the recommendations of an official committee, the scheme ensures that manufacturers with a capacity utilisation of 90% and above get a 12% post-tax return on their net worth. The pricing formula is also based on production costs, including input costs. Thanks to high domestic input (gas, naphtha, and so on) costs, fertiliser production costs are high. The government, however, has preferred to keep fertiliser prices low by meeting the difference between farmgate prices of fertilisers and fertiliser production costs.

The price scheme has had one predictable outcome: with the incentive to keep capacity utilisation high, fertiliser production has soared over the years. Indeed, estimates of the industry's capacity utilisation last year range from 89% (for urea), including sick units, to 99%, minus sick enterprises.

Dharamsi Morarji Chemicals managing director J.L. Thakkar, who's also FAI vice-chairman, sums up the industry's plight when he says: "Over the past three years, raw material costs have escalated rapidly, but the price of fertiliser has remained the same for the past 10 years. Hence the subsidy burden kept on increasing." The government, he says, initially believed that higher subsidies were the outcome of the industry's inefficiency. So it tried to implement the retention pricing scheme more rigorously, and disallowed several items on expenditure. The subsidy didn't come down; industry profits did, according to him.

To be sure, the government has delayed subsidy payments for the past two-three years. "Normally, fertiliser companies go through a financial crisis due to non-payment of subsidy sometime in November or December each year owing to the non-availability of funds," explains Indo-Gulf Fertilisers & Chemicals managing director B.N. Puranmalka. "As and when revised allocations are made by the government, the arrears are cleared," he adds.

This year, however, the industry is really in a spot. First, the Centre didn't clear last year's subsidy backlog to the tune of Rs 1,400 crore. The usual backlog: a bit over Rs 400 crore. Then, the new dual exchange rate system introduced after the budget has cost fertiliser companies dearly. With phosphoric acid and ammonia import decanalised, fertiliser manufacturers now have to import these by paying

market rates for foreign exchange. The tab on this account: an extra Rs 675 crore.

Input costs. Such burdens top earlier input price increases. Points out FAI's Narayan: "The price of gas was increased by Rs 150 per thousand cubic metre to Rs 1,550 at the landfall point from 1 January, coal prices were raised 10-15%, power rates have gone up in every state."

So several fertiliser manufacturers have had to scramble for funds. "We were borrowing money all over the place," Bawa confirms. "Our interest burden would have been Rs 1-1.5 crore less if the subsidy had been paid," he adds.

The government agrees that the industry is caught in a cash bind. Fertiliser department additional secretary R.V. Gupta says: "The industry is really hit because of non-payment of subsidies." So the backlog of Rs 1,400 crore is likely to be cleared by end-May. And the fertiliser department is seeking an additional Rs 2,000 crore for subsidies, taking this year's total subsidy to Rs 7,000 crore (Rs 5,000 crore has been allocated in the budget for the subsidy).

For all that, the industry is not as badly off as it maintains, he argues. Many SSP plants have not been fully shut: they've been producing sulphuric acid.

What's more, says Gupta, the industry is also flourishing in terms of profits. The working results of 21 fertiliser companies in 1991-92 show that profits are up. Inventory levels are down to about 15 days' level, versus the 1 million tonne inventory the industry carried in 1991-92.

The industry's reply to all this: yes, 1991-92 was a good year, but profits are up only notionally. Profits are calculated on an accrual basis, not on the basis of money realised. "In the hope that the government will pay up, many units are taking credit (in their books)," explains Narayan.

Manufacturers are also quick to point out that they've not been able to realise the 12% post-tax return on net worth, simply because the government disallows several items on expenditure when calculating costs and returns.

Still, government officials dismiss industry suggestions that businessmen won't invest again in fertilisers owing to uncertainties on subsidies and pricing. National Fertilisers and Indian Farmers' Fertiliser Cooperative are going ahead and doubling capacities at plants in Madhya Pradesh and UP. "There are 10 applicants for every one gas allocation," says a government official. "So there's a lot of interest in producing fertilisers."

Point, counter-point. As the debate rages, what's clear is that the government has to tackle issues that are far more fundamental to the industry's future. Among them:

- Should fertiliser prices be decontrolled, either partially or fully? As a corollary to this, should the retention price system be scrapped?
- If fertiliser production costs are high in India, does it make more sense to import fertilisers? Imported fertiliser prices have — in the past at least — been far lower than domestic prices.

Certainly, fertiliser men are pushing for total decontrol, spread out over a couple of years. As they tell it, the government balks at forking out subsidy but at the same time determines the prices of all the industry's inputs. The industry does not, therefore, control its costs. If the government thinks fertiliser manufacturers are inefficient, leave them to the mercies of the market.

That, of course, the government won't do. Reason: fertiliser prices will soar, even double in some cases. So FAI has recommended that price decontrol be implemented gradually, over a number of years. It's seeking an immediate price increase — a 10% rise in fertiliser prices would save nearly Rs 900 crore in subsidies over a full year.

While the government may grant a price increase in the near future, many government officials acknowledge that importing fertilisers is not a long-term solution. Quite simply, overseas prices have fluctuated dramatically over the years. Yes, imported fertiliser prices could drop after 1995, when new production capacities go on stream worldwide, but questions such as self-sufficiency in fertilisers and food are involved.

On the official agenda right now are three options, presented by NCAER, all meant to trim subsidies:

Option one: Retain the retention price scheme, and raise fertiliser prices.

Option two: Totally decontrol prices and permit unlimited imports. "This opens a Pandora's box," says NCAER director Ashok Gulati, who's presented the think tank's report to the finance ministry. "Urea prices would rise by 57%."

Option three: Decontrol prices partially, and change the retention price formula, so that gas, naphtha and fuel oil prices reflect opportunity costs. Several public sector companies would have to down shutters if this option is exercised.

As the government ponders all this, one government economist may have had the last word when he said last fortnight: "Why focus on fertiliser subsidies? What about the indirect subsidy of Rs 5,000 crore on higher education? Or the subsidised parliament canteen? I don't think prices have been revised since the seventies."

□ Palakunnathu G. Mathai

(With reporting by Jiten Mehta in Bombay.)

WHAT THE GOVERNMENT OWES* FERTILISER COMPANIES**

	(Rs crore)
National Fertilisers	270.75
Paradeep Phosphates	185.00
Gujarat Narmada Fertilisers	156.60
Southern Petrochemicals	217.19
Indian Farmers' Fertiliser Cooperative	265.00
Indo-Gulf Fertilisers	180.12

** Subsidy and other dues, up to Jan 1992
* Major companies, owed over Rs. 150 crore only

The race is on for cellular phones.

A NEW LINE

Over the past few weeks, there's been plenty of action at some 30 corporations. Several of them are busy floating separate companies, after tying up with foreign heavyweights. Others are furiously tooting the strengths of their consortium partners to the media.

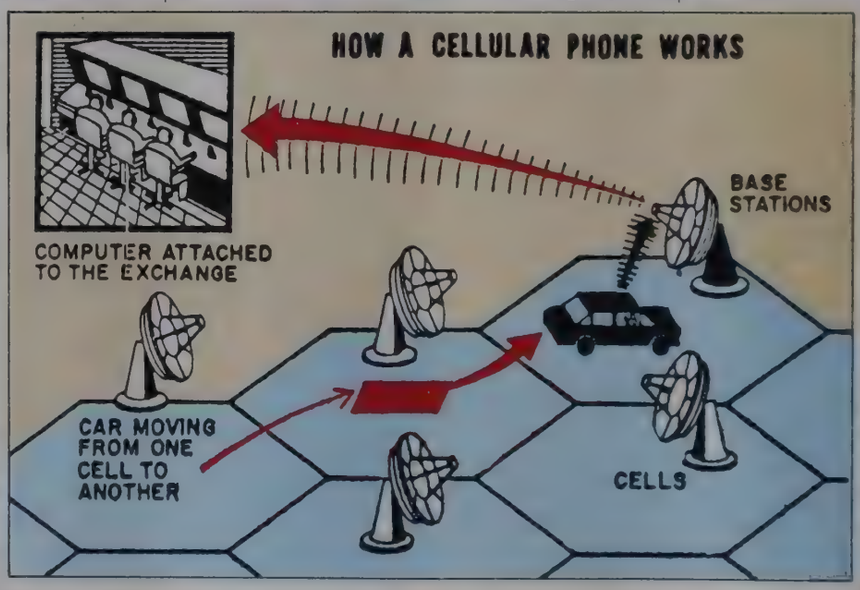
This furious activity is prompted by a government contract to run cellular telephone networks in Delhi, Bombay, Calcutta and Madras. The contract's worth over Rs 250 crore — and is the thin edge of the privatisation wedge. Once it's awarded, private companies will for the first time be running telephone services of any kind. So far, these have been a monopoly of the department of telecommunications (DoT).

Last fortnight, the government took the first steps towards awarding the contract. According to sources, the telecom commission has decided to shortlist 12 to 15 of the 30 companies for the second and final round of bidding. Eventually, DoT plans to license two companies to run cellular systems in each city. Says a senior DoT functionary: "In the first phase, the tender evaluation committee only evaluated the bids on technical and commercial terms. In the second phase companies will be asked to give their financial bids."

That's the crucial screening. For one, it will determine what tariffs companies will charge subscribers. For another, the government will be able to gauge the percentage of the revenue companies can fork out as royalty to the DoT for using its telephone networks. Complains a senior executive who works for one of the bidders: "DoT officials are talking of 50% revenue sharing, but the project is viable only at 20%." A four-member official committee has been constituted to evaluate the final bids.

Companies, meanwhile, have readied for the action. Consider:

- Delhi-based telephone instrument manufacturer Bharti Telecom has floated a new company in which General Mobile, a subsidiary of CGE France, UK-based cellular telecom consultants Mobile Systems and Mauritius-based non-resident Indians have an equity stake. The foreign stake will cover some of the Rs 45 crore in foreign exchange needed for the project.
- The Dalmia-owned Orissa Cement recently floated India Information Technology. Engineering giant Siemens and cellular telephone operators Detecon (a subsidiary of the German state-owned DBP Telecom) will invest in the Rs 70-crore project. Says company director Gaurav Dalmia: "We have tied up with DBP which is the only company running a cellular phone based on GSM (group special mobile) technology."
- The K.N. Modi group has tied up with US networking giant Nynex Network Systems and will soon float a new company. Says K.N. Modi's son Y.K. Modi who is overseeing the project: "We are planning to invest Rs 100 crore in the project. And we are bidding for all the four cities."
- The Delhi-based Max India has tied up with Hongkong's Hutchinson Telecom to set up Hutchinson Max Telecom.
- US telecom giants Motorola and AT&T are negotiating with consortiums to sell their equipment. Confirms a Motorola official: "We have adopted the posture of a hardware supplier, not a collaborator or operator." Motorola is talking to various bidders like Hutchinson Max Telecom, the Jaipur-based Punsumi India, and Sterling Computers to sell its equipment.



Some hitches. Still, cellular telephones have one snag: equipment costs and rentals can be high. According to rough calculations by bidders, subscribers might have to pay Rs 2,000-3,000 a month as rental and anything from Rs 6-7 per call for a minute. Top this with the prohibitive cost of the telephone receiver — around Rs 1 lakh — and the market could be limited.

Many bidders acknowledge that this might be the case initially, but hope it will expand over time. Bharti Telecom, for instance, hopes to break even if it is able to attract 10,000 subscribers in Delhi. Says joint managing director Sunil Mittal: "In Delhi we expect 10,000 subscribers initially, but they will be shared between two companies. It might take us two to three years to break even. But after that the number of subscribers is bound to burgeon."

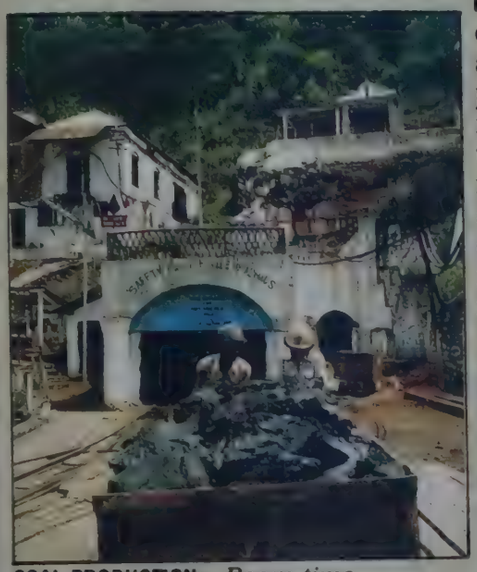
DoT estimates place the number of subscribers at 25,000 in Delhi and Bombay. "It all depends on the marketing strategies of individual companies," muses Max India advisor (telecom services) Satya Pal.

As companies continue to jockey for the contract, what's clear is that perceptions have changed. When cellular phones were first mooted in 1987, a controversy erupted over costs; angry questions were raised about the priorities of a poor nation. Last fortnight, no one dialled that line.

□ Surajeet Dasgupta
(With bureau reports.)

■ India has failed to achieve its target for **foodgrain** production in 1991-92. The country faces a shortfall of about 10 million tonnes (mt). As against the targeted 182.5 mt for the year, production is expected to be in the 171-173 mt range.

■ According to *The Observer of Business & Politics*, the **base price** of steel is likely to be raised by 15%. This has become imperative because of the inability of integrated steel plants to absorb the Rs 2,000 per tonne hike in input costs since prices were last revised in September 1990.



COAL PRODUCTION: *Boom time*

■ The ministry of coal has proposed a **production plan** of 237.09 mt in 1992-93 after touching 229.29 mt for 1991-92 against the target of 228 mt. The ministry's annual report also says that coal production is expected to touch 293.21 mt by 1996-97.

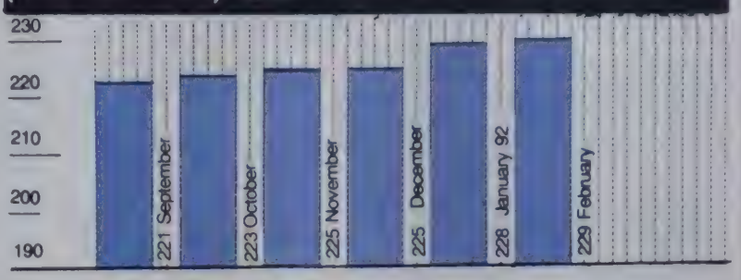
■ Finance minister Manmohan Singh has proposed **reliefs** to the tune of Rs 602 crore in direct and indirect taxes, including restoration of the income-tax rebates under s.80L, s.80CCA and s.80CCB of the Income-Tax Act. The concessions also include reduction of import duty on gold carried as part of luggage by Indians from Rs 450 to Rs 220 per 10 gm.

■ According to the department of industrial development in the ministry of industry, **foreign investments** approved in 1991 were more than four times those proposed in 1990. Foreign investments approved during the post-policy period of 1991 (August-December) were more than nine times the investments approved in the corresponding period in 1990 — Rs 412.79 crore as against Rs 45 crore.

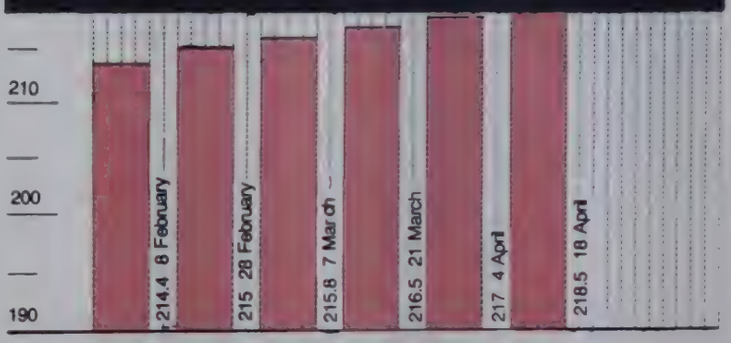
Foreign Exchange Rates (Spot) 1992

	5 May (Rs)
One P. Sterling	45.89
One US Dollar (RBI's buying rate)	25.89
One US Dollar (operating middle rate)	28.67
One D. Mark	15.65
One hundred J. Yen	19.30
One Saudi Riyal	8.20
One Kuwaiti Dinar	103.85

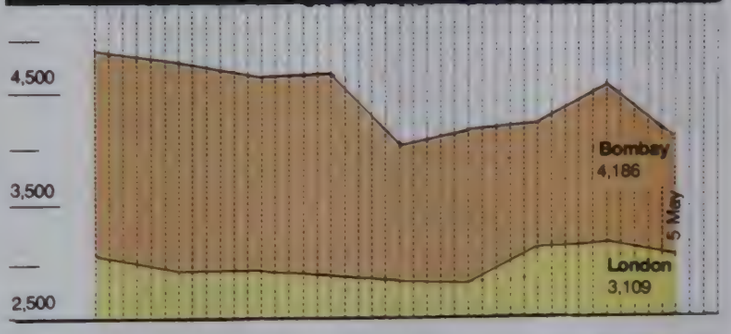
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



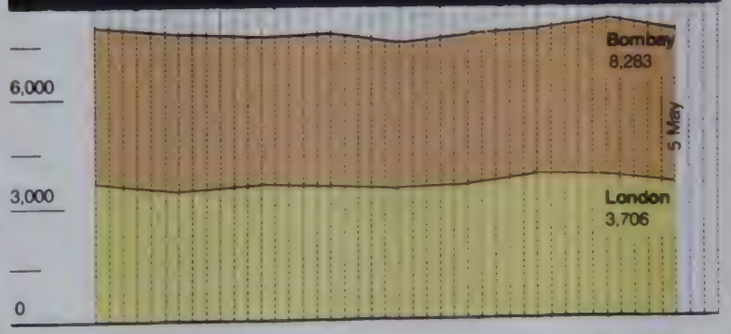
Wholesale Price Index (1981-82 = 100) 1992



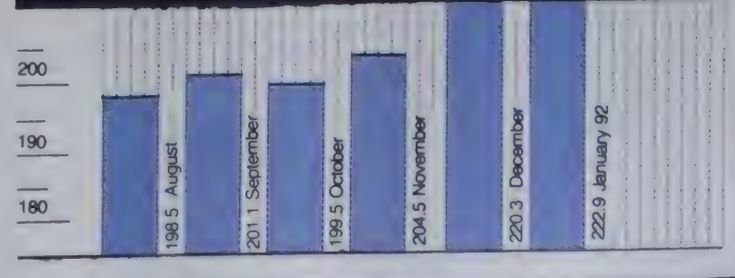
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81= 100)



ARMS IMPORTS: CRISIS AREA



Defence imports is the main reason for the recent foreign exchange and debt crisis

The government does not publish data on defence imports. The budget does not reveal the foreign exchange component of defence expenditure and commerce ministry data on imports exclude arms and defence equipment purchases. International sources, however, indicate that India imported a substantial amount of arms during the eighties. According to the US Arms Control & Disarmament Agency (ACDA), India imported arms worth $19.7 billion (Rs 61,070 crore) during the period 1982-89. The Stockholm International Peace Research Institute (Sipri) estimates India's defence imports during 1985 to 1989 at $17.3 billion, which is one of the highest among developing countries.

Sipri and ACDA figures on defence expenditure and imports are generally well accepted by defence analysts all over the world. These figures are also used to analyse the defence budgets of member countries by the United Nations (UN), the World Bank and the International Monetary Fund (IMF). If the Sipri figure is correct, out of the $24.2 billion increase in India's external debt between 1985 and 1989 (based on the World Bank estimates), as much as $17.3 billion, or roughly 70%, can be attributed to defence imports.

But according to well-known defence experts in India, both Sipri and ACDA have grossly overestimated India's arms imports. Sipri has evaluated India's arms imports at an inputed market value (which is mostly based on comparative prices in the US), as against actual payments made by India.

For instance, Sipri has estimated the price of an MIG-29 at Rs 12 crore per plane, as against the Rs 3 crore India actually paid to the erstwhile USSR. The ACDA figure is also an overestimation because it is based on defence purchases that were negotiated, rather than those that were actually delivered and paid for. If corrections are made for these distortions, the actual defence imports during the period 1985-89, according to one well-known defence expert, would be around $10 billion. That is still a substantial amount in relation to the incremental external debt during this period.

Although no official statistics on defence imports are available, we can estimate them on the basis of import data. The directorate general of commercial intelligence & statistics (DGCI&S) publishes data on the value of merchandise imports. The Reserve Bank of India's (RBI's) data on imports include foreign exchange payments for both merchandise imports and defence imports. The DGCI&S and RBI figures may differ, partly because of statistical errors in reconciling import data from the two sources and partly because of the inclusion of defence imports in the RBI estimate. In the past, when defence imports were marginal, the discrepancy between the RBI and the DGCI&S figures used to vary between 0 and 4% of the RBI estimate. From 1984 onwards, the discrepancy between the two estimates widened sharply and by 1989-90, it become as much as 17% of the RBI figure. This cannot be treated as a normal statistical error. If we allow a 4% statistical error and regard the residual discrepancy as defence imports, the total defence imports during 1985 and 1989 would have been about $9.5 billion which is very close to the modified Sipri figures. Actual defence imports could be even more because a part of the total defence imports is paid for by the government out of its own funds (India Mission Fund in Washington, and so on).

These figures suggest that defence imports could be a major cause of India's external debt problem in recent years. In fact, if defence imports are netted out of total imports, the balance of payments and foreign exchange situation does not appear to be all that critical. This casts a completely different light on the current structural adjustment problem.

Structural reforms have been initiated on the assumption that the existing economic policies are inappropriate to tackle macroeconomic imbalances — the fiscal deficit, inflation and the foreign exchange crisis — and other structural deficiencies (low productivity, the high cost structure, poverty and unemployment). There is no doubt that this assumption is basically correct. It is also true that this structural reform programme has been initiated mainly because of the foreign exchange crisis and the external debt-servicing problem. Since the IMF loan was considered absolutely essential for diffusing the crisis, the structural reform programme was based on IMF conditionalities. If the IMF conditionalities are implemented fully, the character of the economy will change completely.

In some countries this change has led to an improvement of the economy and the standard of living of the people. But in many others, notably in Africa and Latin America, the IMF-sponsored structural adjustment programme has been a dismal failure. If defence imports is the main reason for the recent foreign exchange and debt crisis in India, is it necessary to dismantle the overall structure of the economy to satisfy the IMF conditionalities?

□ B.B. Bhattacharya
The author is professor, Institute of Economic Growth, Delhi.

There are rumblings amongst the Tata satraps.

WILL THE EMPIRE HOLD?

The crisis in the House of Tata is fast reaching flashpoint. When, on 7 May, a leading business daily carried what a Tata Sons director confessed was a "blow-by-blow" account of an acrimonious meeting of the company's finance committee, there was an immediate locate-the-leak exercise.

Tata Sons chairman Ratan Tata, sojourning in the US, dashed off an angry message demanding immediate identification of the deep throat. J.R.D. Tata, also in the US, also made his displeasure known and a commission of enquiry of sorts is reported to have been set up.

But it will take more than a commission to get to the heart of the matter. Besides, there is not much mystery about that anyway: the era of leaks from Tata headquarters Bombay House has its origins in the ongoing clash between Ratan Tata and several powerful satraps such as Russi Mody and Darbari Seth. At stake is the future of the House of Tata and the question being increasingly asked is: will the empire hold?

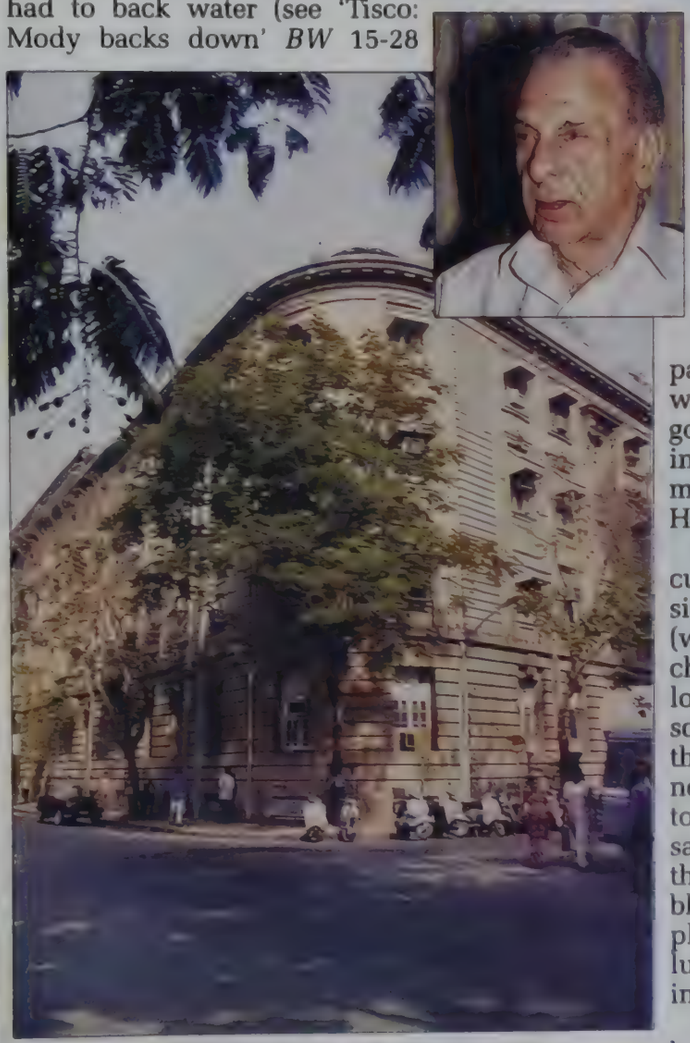
The men who are balking at Ratan Tata's attempts to consolidate his grip are not willing to accept that it is an empire in the first place. Says Tata Chemicals and Tata Tea chief Darbari Seth: "The Tata group is a commonwealth of enterprises, not an empire." Ratan Tata's father, the late Naval Tata, had put it even more succinctly a couple of years ago. Said he: "There's a Mughal emperor in each of the Tata companies."

What has currently got these "Mughal emperors" very worked up is a board resolution of Tata Sons, the holding company of the group, that all chairmen of Tata companies will have to retire at 75. And if the chairmen happen to have an executive role, they will have to quit at 65.

That immediately put Tisco supremo Mody (74) and Seth (71), both very much hands-on chiefs, on borrowed time. And, for the first time, questions are being raised on the legitimacy of the Tata Sons rule itself.

According to Russi Mody, this is an issue not for the Tata Sons board but for the Tisco board. While JRD was in the Tata Sons chair, his word was law. But the company's holding in Tisco is less than 5%. Why should it call the shots?

There is another angle to it. Early this year Mody was in the dock over some Tisco promotions and he finally had to back water (see 'Tisco: Mody backs down' *BW* 15-28 January). He had to render a humble apology and it obviously rankles.



BOMBAY HOUSE & JRD (INSET): *A house divided?*

Mody says he has nothing in principle against a retirement age; he claims to have been advocating that for the past 25 years. "But those in authority at that time would not countenance any such move as they felt it was aimed at their removal," he said in a recent interview. "After having had their fill, if they now wish to introduce this, I would be less than human if, specially in the light of what has been said in the media, I did not feel it was a machiavellian move to deny me an extension."

The other person apparently on the Tata Sons' hitlist — Seth — is unwilling to be dragged into this controversy. Besides, he is only too likely to cock a snook at the age limit resolution. Tata Sons may hold 9% stakes in Tata Chemicals and Tata Tea, but Seth is in the happy position of controlling substantial holdings in all his companies. And he has always made it clear that he goes his way brooking no interference from the mandarins of Bombay House.

Also reportedly very cut up about the age decision is Indian Hotels (which runs the Taj chain) chief Ajit Kerkar. The low-profile Kerkar, described by JRD as one of the group's best entrepreneurs, has still some years to go in the age-barred saddle. But, having taken the Taj from a near shambles to its current pride of place, he is obviously reluctant to be put to grass in his prime.

The retirement age imbroglio is, however, likely to end as a storm in a teacup. But it is a sign of the times — evidence of Ratan Tata's bid to establish control over a disparate empire. And there are several other indicators.

The acrimonious 24 April Tata Sons meeting (the detailed report of which made it to the press on 7 May) ran into the shoals over the increased control of the various Tata companies by Tata

Sons. The meet was chaired by JRD himself and was attended by leading Tata lights Ratan Tata, Pallonji Shapoorji Mistry, Seth, Nani Palkhivala, Fredie Mehta and N.A. Soonawala.

JRD set the ball rolling by proposing a rights issue by Tata Sons. Currently, charitable trusts hold some 80% of the equity of the company, with Mistry having an 18% chunk and other directors a scant 2%. According to the JRD-Ratan gameplan, the trusts and



RATAN TATA: *Triggering the storm*

Mistry will renounce the rights in favour of other Tata companies such as Tisco, Telco, Tata Chemicals, Tata Electric Companies, Indian Hotels, Tata Oil, Forbes Forbes Campbell and Voltas. This would tend to knit together an empire which is showing increasing signs of fission.

THE STUMBLING BLOCK

The stumbling block at the meeting was Mistry who, if he were to renounce his rights, would be reduced to a bit player. The trusts are represented by government nominees who have always toed the JRD line. But if they were to abstain from voting on board resolutions (a possibility in the future in case an internecine war breaks out), Mistry would be calling the shots. And he is holding out for a quid pro quo for the dilution of his role.

Besides, Mistry is not on the best of terms with Ratan confidant Nusli Wadia, the Bombay Dyeing chairman who is also on the board of a couple of Tata companies. If an opposition is building up to the Ratan faction, Mistry is squarely in that camp. (Earlier, in the messy ACC debenture issue imbroglio — see *BW* 23 May-5 June 1988 — Mistry was perceived as having got preferential treatment while Wadia was shown the door as a *benami* applicant.) Wadia, incidentally, is very close to JRD, who is supporting Ratan to the hilt in his efforts to give more punch to the high command in the Tata group.

The Tata Sons rights issue plan, however, begs one important question. Under it, a host of Tata companies will subscribe to an unquoted company to shore up the Tata superstructure. But is this in the best interests of the shareholders of the Tata companies?

Unlike other business groups, the Tatas have very low stakes in their companies. In Tisco, for instance, the financial institutions hold as much as 48% and even the Birlas, with 6% odd, have a bigger slice than the Tatas. In other words, small shareholders and the institutions will be affected most by any investment decision. Will an investment in Tata Sons, which could run into hundreds of crores, pay adequate returns?

The problem with many Indian companies, though they may be widely-held, is that the controlling families regard them as their fiefdoms with the small shareholder getting short shrift. This Tata exercise runs the danger of being included in this category.

But the issue still has to run the gauntlet of the Tata satraps. And, as recent events and the leaks galore have shown, it may not be all that easy.

This is not the first attempt at introducing centralised control anyway. In the early eighties, when jockeying for the top spot was still on, Ratan Tata and his thinktank had prepared a perspective plan. Under this, the Tata businesses were to be divided into eight groups. These were: metals & associated industries (headed by S.A. Sabavala), engineering (J.E. Talaulicar), chemicals & agrobased industries (Darbari Seth), utilities (K.M. Chinnappa), consumer products (Minoo Mody), services (Fredie Mehta), and hi-tech industries and international business (both under Ratan's charge).

The whole exercise, however, remained on paper. Russi Mody, who was nowhere in the picture because of his expected retirement, is still ruling the roast at Jamshedpur. Minoo Mody (of Titan Watches, amongst others) put in his papers because of reported differences with Ratan Tata, though the real truth is not out to this day. And other Tata chiefs were unwilling to put their carefully-nurtured eggs in somebody else's basket.

There was another factor. Says a Bombay House source: "Here was Ratan, comparatively green around the ears and with a track record of successive failures (Empress Mills, Nelco), laying down the law to people far more experienced. JRD never operated that way; his was a consensus approach. There was no way such a plan would be acceptable."

The dustbinning of the 1983 plan saw Ratan draw in his horns a bit. (The new perspective plan for the nineties deals largely with his own hi-tech companies under the Tata Industries umbrella).

Besides, while JRD was paving the way for him to inherit the mantle, not everybody was willing to accept that. In the seventies, Palkhivala was a frontrunner for JRD's job. But he gradually fell out of favour and, after the ACC affair, was no longer considered a serious contender.

Russi Mody too had thrown his hat into the ring and at one time was bidding for chairmanship of Telco. With Tisco already under his belt, this would clearly put him ahead in the race. But, so goes the story, after he in his own irrepressible style shot off his mouth to a Calcutta newspaper, an incensed Telco chairman Sumant Moolgaonkar (since deceased) decided to carry on in the saddle. JRD, too, was not exactly pleased with Mody either.

In all this, the other strongman Darbari Seth has never really evidenced any desire to occupy the hot seat. Part of the reason, of course, is that his own group of companies is going great guns and much of the high-power action in the Tata empire (the

Haldia petrochem project, for instance) is being orchestrated by Seth. And the pace he is setting could rival Tata behemoths Tisco and Telco a few years down the line.

According to Bombay House sources, Seth has major merger plans up his sleeve. Though he himself denies it, there is understood to be a proposal to merge Tata Tea, Tata Chemicals and ACC. If this goes through, it will put Seth in an even stronger position than before.

Those who are now jibbing at the Ratan rein contend that the arguments put forward by his group do not hold water. First, it is contended that the Tatas need young blood at the top. No, says the rival camp; the Tata top brass has always been an old boys' club and it has been functioning very efficiently.

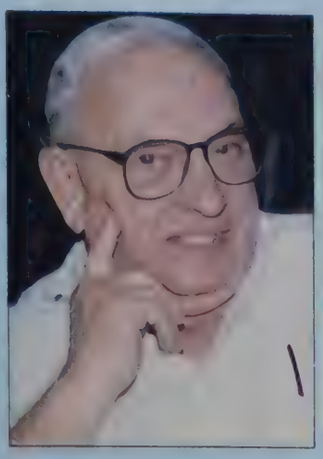
Second, JRD became Tata Sons chairman at a very young age (34). Ratan has two decades' advantage. The counter: there are other men around to do the job now. This was not true in 1938 when Sohrab Saklatvala, nobody's first choice, would have to take over if JRD had not been agreeable.

Third, it needs the Tata name to keep the empire together. Well, it didn't need that in the 1932-38 period when Nowrosji Saklatvala presided as chairman of Tata Sons. It would have been much more in keeping with the Tata tradition to have a tried-and-tested warrior like Russi Mody in the chair for a few years while Ratan got his act together.

All that is, however, water under the bridge. What is very real now is the prospect of the empire splitting. A couple of years ago, Russi Mody had been publicly airing his desire to resign after 50 years with Tisco. "Sometime or the other, a man has to quit. I don't believe in hanging on," he said in 1988. Today, the shoe is on the other foot. There is no way Mody is hanging up his boots. "I intend to carry on for another 10-12 years," he told *Business Standard* recently.

Clued-in observers believe that

THE OLD BOYS' CLUB



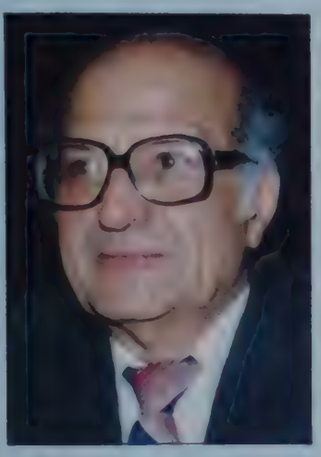
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Tisco
CMD
Russi Mody



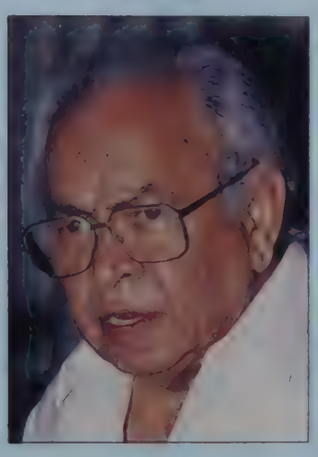
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Special Steels
chairman
S.A. Sabavala



72

ACC
chairman
Nani Palkhivala



71

Tata Chemicals
CMD
Darbari Seth



68

Tata Electric
MD
S.P. Manaktala



67

Voltas
chairman
A.H. Tobaccowala



63

Forbes
chairman
Fredie Mehta



62

Telco
MD
J.E.Talaulicar

Ratan Tata got his strategy all wrong in tackling Mody. Instead of going in for confrontation — making Mody eat humble pie in the Tisco promotions issue — Ratan should have got him on his side.

The pertinent point in the promotions affair — Aditya Kashyap and Ishaat Hussain were appointed deputy managing directors and No 2 J.J. Irani additional managing director — was that it was perceived that Mody favourite Kashyap was being groomed to step into his shoes while Irani was being sidelined. Ratan seems to have sided with Irani while it perhaps would have been better tactics to accept the Kashyap elevation as a *fait accompli*. Yes, it would have left a disgruntled Irani (there was no dispute, however, that officially he was still No 2), but it would probably have neutralised Mody. And Ratan would have had an easier time in getting the other opponents to his scheme of things to fall in line.

As it stands, Tisco is now a hotbed of acrimony. Loaded missives are flying thick and fast (see box). And Mody has got his back up.

Others who have been age-barred are playing it cool, largely because the resolution is seen as directed against Mody alone. He turns 75 in January 1993 and his term comes up for renewal soon. But if he is going to make an issue of it, he will not lack for supporters.

Things would actually have come to a worse pass if it had not been for the presence of JRD. The circular on the new age policy has as its last line: "This policy has the support of Mr J.R.D. Tata." While it is odd that an 87-year-old is asking those 20 years his junior to accept that they are no longer capable of working on all four cylinders, JRD's moral authority has prevented instant rebellion.

Today, however, Bombay House is a house divided. The *pucca* culture is rapidly disappearing. Clear factions are developing and there is a mole for every mandarin. "Confidential letters make their way to the press," says a Tata source. "Nothing is secret any more."

In one corner is the old guard — men used to power, position and the prospects of going on for ever. They are now being wooed with additional retirement benefits. In the other is Ratan Tata. His more youthful team is still in the wings, waiting to step in when the oldtimers are given the push. And, of course, there is his centralisation plan.

Hear Ratan Tata on that: "When JRD and his colleagues retire, the new breed of managers will not share the same values; so what has been an informal, historic system will be lost... There is need for a central agency, since after the managing agency system was abolished (in the early seventies), centralised control became centralised guidance."

Guidance needs a certain stature which Ratan still has not acquired. So his only option is more control and more regimentation. That, in the end, is the main reason for all this whip-cracking at Bombay House.

But will the empire hold? There are a handful of pessimists. But, by and large, everybody in the Tatas (the prime opponents of the Ratan regime included) thinks that they will stick together. Ratan is not going to have it all his own way; there is a lot of unseemly bickering and brawling ahead. And the writing on the wall is, try as he might, he will be unable to bridle the powerful satraps. But, with the years on his side, his writ will run when the current Mughals relinquish their crowns (which they will do only in their good time).

But the House of Tata will not be the same again. Bad blood is being spilt. For business, industry and the common man, the halo has slipped; the empire might hold, but the Tatas too have proved they have feet of clay.

□ A Correspondent

EXCHANGE OF ACRIMONY

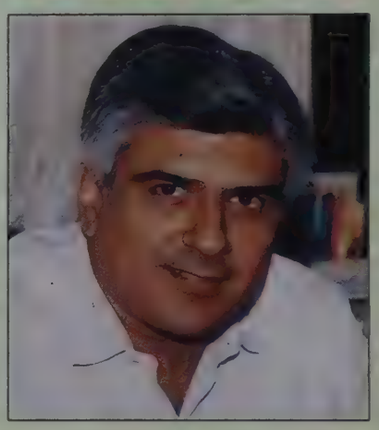
They could be called love letters; even as the Tata Sons resolution setting an age bar for executive chairmen made headlines, a host of organisations and individuals wrote to Tata doyen J.R.D. Tata and Tisco chief Russi Mody in support of the latter.

They couldn't be called love letters; the other headline-hitting missives in Tisco — between joint managing director J.J. Irani and senior executive director Aditya Kashyap — pull no punches.

The current round began with an Irani interview to *India Today* where he stated that he would like to see Ratan Tata as Tisco chairman and himself as managing director. In passing, Kashyap was referred to as a "blue-eyed boy."

Wrote Kashyap to Irani seeking a clarification: "I have reason to believe that you speak loosely against me and take every opportunity to belittle me and my work."





IRANI (ABOVE) & KASHYAP: *Men of letters*

Irani countered that it was Kashyap who was actually maligning him. He went on to accuse him of "non-cooperation to the detriment of the interests of the company."

Back to Kashyap. "In your desire to show everyone that you are all powerful and nothing else matters, you have taken many unfair steps."

There was much more along the same lines and obviously a lot more in the pipeline. And it is perhaps very much in keeping with the company's ad campaign — Dissent: The voice of progress.

This voice of progress has been evidenced between Mody and Irani too. When the latter announced a possible steel price hike, Mody countered with a press statement. "Whatever Dr Irani has stated is not the official position of the company," it read.

When the Tisco top brass stoop to squabbling like children, it speaks volumes of the state of affairs in the House of Tata.

RPG Enterprises crosses the $1 billion mark.

NO PIPEDREAMS

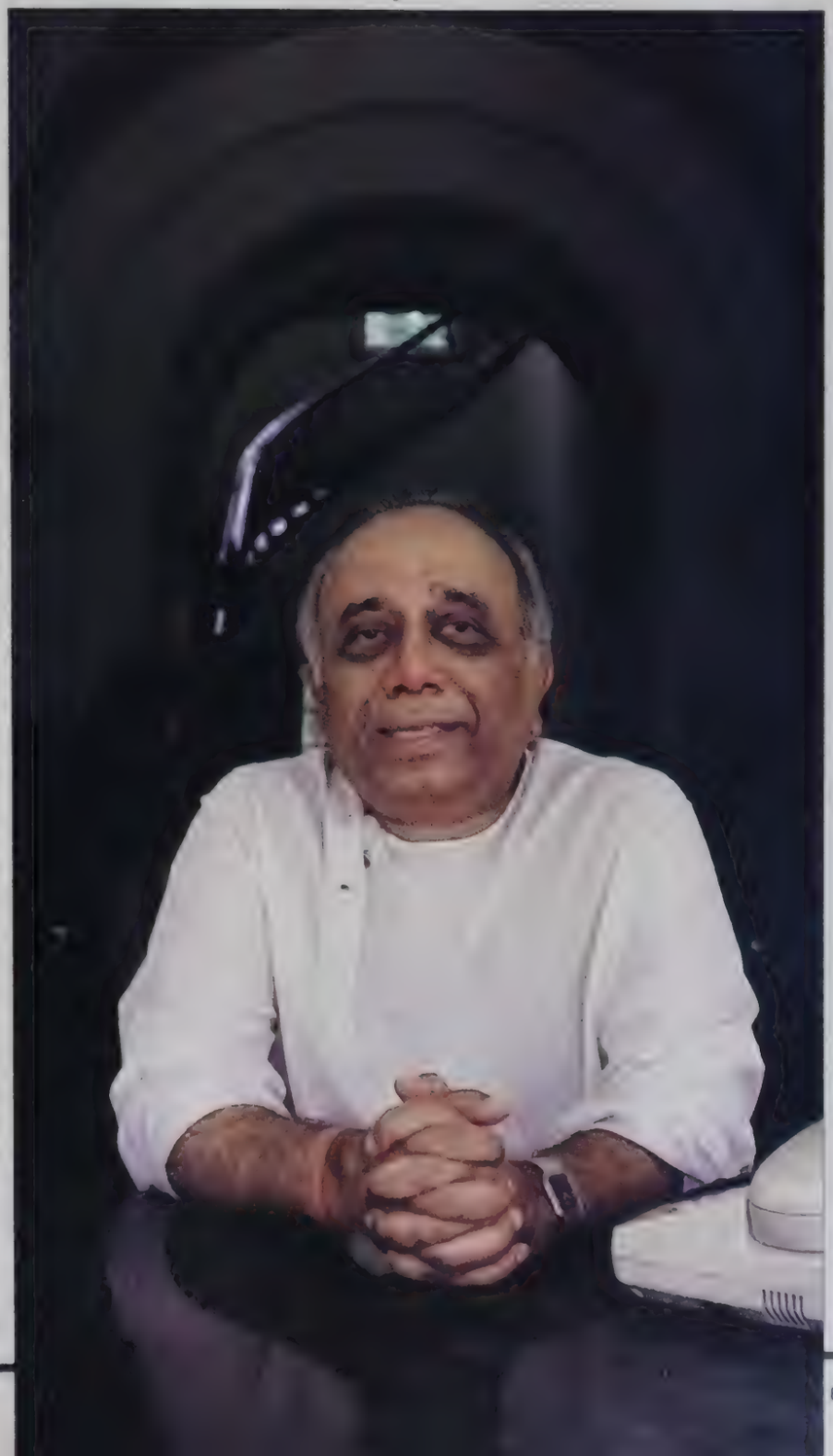
Every night, somewhere in the wee hours around two o'clock, the lights go on in the private study adjoining Rama Prasad Goenka's bedroom. The patriarch of RPG Enterprises — the widely diversified conglomerate whose annual dollar equivalent turnover crossed the billion mark last month — has just begun his workday, even as the country sleeps.

He spends two precious, intensely private, wholly undisturbed hours all by himself — cogitating, contemplating, meditating... and dreaming. "Yes, you first need a dream," philosophises Goenka in his characteristically quiet undertone. "Vision comes next, only when a dream is sought to be converted into today's reality."

And like the legendary Lawrence of Arabia, who coined this expression, Goenka is the sort who dreams with his eyes wide open. The result: in just a dozen years, he has multiplied his Rs 70 crore inheritance of 1979 nearly 40 fold. As on 31 March 1992, RPG Enterprises' aggregate turnover totted up to an imposing Rs 2,644 crore, firmly ensuring its position amongst the top five business houses in Indian industry.

But arguably he has only Tata and Birla for company in one respect, namely, in touching the lives of ordinary individuals everyday, everywhere. Switch on a light, sip a cup of tea, have a shave, listen to music, drive to work — and you could possibly be looked after respectively by CESC, Harrisons Malayalam, Wiltech, Murphy, HMV and Ceat, all part of RPG Enterprises (see box: 'The RPG Empire'). Concurs the founder: "In many ways RPG is an unusual institution."

R. P. GOENKA: *Inscrutable adversary*



The most unusual aspect of RPG Enterprises is the unorthodox way Goenka allows it to be run. For one, he does not even formally preside over it: elder son Harsh, 36, is the chairman. Neither does he attend board meetings. "I do get invited, but I don't go," he jokes (see interview).

Also unusually, he prefers to underplay RPG Enterprises' identity as a group and describes it as being "more like a confederation of industries." And if this confederation shows few signs of strain owing to dissenting satrapies pulling in different directions, it is because Goenka has an extraordinary talent in handling people.

"Where he particularly excels in is in his ability to generate trust," vouches RPG Enterprises' supervisory board member Sumantra Banerjee, 42, recently appointed deputy managing director of CESC. "He has that special skill that makes you feel important. He places such total trust in you that it's impossible for you to let him down. I suppose his very strong people skills reflect his Piscean streak."

It is a fact that delegation of authority in the RPG group is total. No monthly or regular periodical performance reports go to Goenka at all, and the company presidents usually have no operational contact with him. "One only touches base with him occasionally, on policy matters," says Banerjee.

(The practical outcome can be hazardous for managers down the line.

"I WANT TO BE A DREAMER"

Rama Prasad Goenka spent a quiet Sunday morning at home with BusinessWorld's *Sujoy Gupta last fortnight. Excerpts from the freewheeling conversation:*



HIS PHILOSOPHY

■ **On his highest goal.**
To be a dreamer.

■ **On the difference between a dreamer and a visionary.**
A vision is a dream converted into today's reality. Being able to successfully operationalise or implement one's vision makes one a genius; inability to do so could make one a madman. I have a theory that a genius is nothing but a successful madman.

■ **On his ambition.**
Being a dreamer and being ambitious don't match. One is exclusive to the other.

■ **On his heroes.**
I was inspired by my grandfather (Badridas Goenka) on moral values of life. Nehru inspired me to think big. Mrs Gandhi taught me by example as to how to tackle problems, something she did brilliantly throughout her career. In literature, my heroes are Nehru and Winston Churchill in English and Jaishankar Prasad in Hindi. Amongst contemporary Bengali writers I try not to miss anything written by Shankar and by journalist Barun Sengupta.

■ **On the attributes he admires in them which he himself lacks.**
Their success.

■ **On his most satisfying thought.**
That God has been kind to me and that I have been able to bring up my sons as better human beings and better managers than myself.

■ **On the single-most important piece of advice he has for his sons.**
That their word of mouth should be more binding than any written, signed documented agreement.

HIS BUSINESS CAREER

■ **On the most important lesson learnt.**
Be extra careful in choosing your partners.

■ **On the most significant achievement.**
After separation from my brother in 1979, my major business achievements have been to get associated with Ceat Tyres and then after many years, with CESC.

■ **On the most memorable failures.**
There are two, both in the early eighties. In bargaining to retain Balmer Lawrie, for a Rs 6 lakh difference I decided to let the opportunity pass by. I still regret it. I regret not having successfully concluded the deal to purchase Bombay Dyeing. Actually, the deal had been finalised, but I withdrew on emotional grounds. Often, emotions and economic considerations don't go together.

■ **On criticism that his greenfield ventures have mostly flopped.**
This is a misnomer. There are as of now nine greenfield projects working and working successfully, out of 10 which come to mind. Only one is not working well, in Kashmir.

■ **On the art of weighing risks in taking business decisions.**
By gutfeel. I can say now that when I got associated with Ceat I had not seen the balance-sheet of that company. And when I got associated with CESC, I tried to study the CESC balance-sheet but it was too complicated for me. My gutfeel is my only pathfinder.

RPG ENTERPRISES

■ **On attending board meetings.**
No I don't attend them. I do get invited but I don't go.

■ **On RPG's core thrust areas.**
The whole field is open. Let's see what I can put together. I'm looking into telecommunications, power plants, synthetic fibres and some others. For India, I see telecom and power as sunrise sectors.

■ **On action plans for globalisation.**
A nylon tyre cord plant is under construction in Malaysia. A tyre plant is under way in Sri Lanka. We are working out plans for two other countries which I'd rather not name now.

■ **On his reporting relationship with his companies.**
There is no fixed relationship. Whenever they have any problem they are free to come and discuss with me. I have stopped getting monthly reports etc.

■ **On the market perception that RPG Enterprises is strapped for cash right now.**
I am happy that I have been able to put through a Rs 1,500 crore power plant. In telecommunications I have Rs 700 crore of plans, while in electronics I have Rs 400 crore of plans. Beyond this, I have some surplus for another major power plant. Thereafter, I will halt, review and then decide.

■ **On his intentions of effecting a partition between Harsh and Sanjiv.**
It is not relevant. I will ask you, why do people want separation? Either for greater self-promotion or as

a result of differences or disputes amongst the brothers. There is no third reason. With Harsh and Sanjiv, both have 100% opportunity to expand in their own fields. And God willing, their relationship is on the best of terms.

■ **On the likelihood of his repurchasing Dunlop.**
None at all.

PERSONAL

■ **In retrospect, his private feelings on.**

Losing Dunlop: I am sorry I lost Dunlop but I didn't wish to perpetuate my differences with Manu.

Losing Haldia Petrochemicals: It was painful to lose HPL but the chief minister's decision was honoured because it was good for West Bengal.

Parting with Manu Chhabria: I still meet him, and in meetings both sides have lots of warmth. I will never harm him.

■ **On his controversial closeness to the Nehru-Gandhi family.**
When you work with your heart, one does not give importance to what is right and what is wrong. Let others say anything; I still cherish my moments with the family. And I am still privileged to have the association.

■ **On his favourite.**

Film stars: Amitabh Bachchan, Meena Kumari.

Music: Amongst vocalists, Lata (Mangeshkar). Instrumental classical, Amjad Ali Khan.

Video: "I never sit through a whole movie except very rarely on holidays. But I do watch video everyday before going to bed at 10 pm, usually for half an hour or so while having my daily massage.

■ **On his best friend.**
B.M. Khaitan.

■ **On his life's mission being completed.**
Not yet. I have seven-eight years' work still left.

The story goes of the executive who unsuspectingly chatted up with Goenka on board a plane. Typically, Goenka had introduced himself as "self-employed," and didn't bat an eyelid when his next-seat neighbour said he worked for an RPG company. Later, much later, the friendly co-passenger had the heebie-jeebies when he discovered who his fellow traveller was!)

Not surprisingly, people do take advantage of Goenka's quintessential humaneness. RPG legend tells the anecdote of the top manager who was fed up with his particular posting and simply couldn't persuade his immediate bosses to move him. Finally, he managed to catch Goenka's ear and poured out a desperately exaggerated story of how unwell he was. Concerned, the patriarch issued verbal transfer orders then and there, and expressly 'ordered' him to move the very next day — doubtless to the concerned official's delight.



BANERJEE: *His own man*

TWO LESSONS

Concurs ex-Oil India chairman S.C.N. Jatar who served a post-retirement (1990-91) stint as president in RPG Enterprises: "Goenka is humane and big hearted. He is generous in money matters and people constantly take advantage of his generosity." It seems this is a trait which runs in the family. Harsh Goenka says fairplay and humaneness are two cardinal lessons he has imbibed from his father. Adds his brother Sanjiv: "My father is the greatest influence in my life."

The father always tells his sons that they must first give 100% loyalty to their people before they can expect 100% loyalty from the latter. In most cases, the equation works very smoothly. "I feel most comfortable discussing matters with any of the Goenkas," avers CESC managing director P.B. Ghosh — which is actually saying a lot, given that Ghosh, 62, entered the RPG fold only at the fag end of his career, in 1989, when Goenka bought into CESC, and is not beholden to them in any way.

As such, senior-level turnover in RPG Enterprises is rather low and sackings are very rare indeed. (The premature departure of Philips Carbon Black chief P.K. Gupta a couple of years ago sent shock waves in the Calcutta corporate circuit.) Having bought into a company, part of RPG management style is to ensure the continuance of the professional team there. It is only when competence is found to be palpably inadequate, as in the Madras-based Spencer & Co, that a new set is inducted.

A unique aspect of the RPG talent pool is the large number of retired chairmen who have flocked to this group as presidents or advisers: V.R. Deenadayalu (ex-Madras Refineries), M.P. Narayanan (ex-Coal India), Mahesh Khanna (ex-Balmer Lawrie), P.C. Laha (ex-Mecon), S.C.N. Jatar (ex-Oil India) amongst others. With diverse, often unconnected, investment proposals constantly on the boil, the group needs to tap a diverse resource bank. And the latter has been assiduously nurtured.

According to one human resource expert, this massive recruitment drive of experts imparts strength as well as weaknesses to the group. "This entails that new processes and systems in

HRD have to be constantly developed and integrated, given that there is a perpetual need to blend diverse cultures into an effective performance team," opines this consultant. "Also in this kind of situation, there is always the risk of alternative power centres being created."

Besides, fuzzy human resources role boundaries tend to obfuscate intra-group job functions and task definitions. There is no gainsaying the fact that the superstructure of professional and delegation notwithstanding, nobody has a shadow of doubt about where the epicentre of financial and managerial power lies: squarely with the family troika. To a certain extent, perhaps Goenka can't help it; this is the way things are in contemporary Indian industry. And inherent in the system is its proneness to spawning viceroys.

One might well add that this incipient weakness ought not to be underestimated. After all, despite the Tatas' decades-old corporate culture of building collegiate teams, the recent sparks flying in Jamshedpur and Bombay House are evidence that 'alternative power centres' exist in that venerable group too. Forewarned is fore-armed, as they say.

The other weakness — a fallout of the group's extraordinarily rapid expansion during the eighties — is the lack of a clearly defined business focus at RPG Enterprises; the group has many fingers in all too many pies (see chart p 29). Some of the pies are somewhat trivial, and an overall synergistic equilibrium in the group is not at all apparent. It seems RPG has not quite made up its mind as to what it wants to excel in.

RPG Enterprises chairman Harsh Goenka partially concedes the point and hastens to add that this central issue is being actively addressed right now. "I agree that the days of the giant conglomerate are over," he says. "As such, we are deciding our core or focus groups and finetuning our corporate strategy accordingly. The coming months will bear witness to this because we propose to regroup ourselves."

A clutch of new units is slated to be born within a short timespan. Nearest to fruition is the Rs 1,600 crore investment in a 500 Mw power generation station near Calcutta being impresarioed by CESC — the largest single private investment ever in West Bengal.

Last fortnight witnessed the signing of RPG's letter of intent with megacorp Du Pont for setting up a $120 million (Rs 300 crore) 100% export-oriented joint venture for polyester base films near Pune. Exults Harsh: "This is a pathbreaker for the country. A transnational like Du Pont will use India as a production base for its global markets."

The pathbreaker (christened Du Pont RPG Ltd) is slated to have a twin because a like collaboration deal has been signed with Korean giant Goldstar. Subject to Union government clearances, the latter will similarly use India as a production base for global markets for its widely popular colour and black and white television sets. "We are really very excited at these two prospects," says Harsh, who lives in Bombay.

LONG-TERM TIEUPS

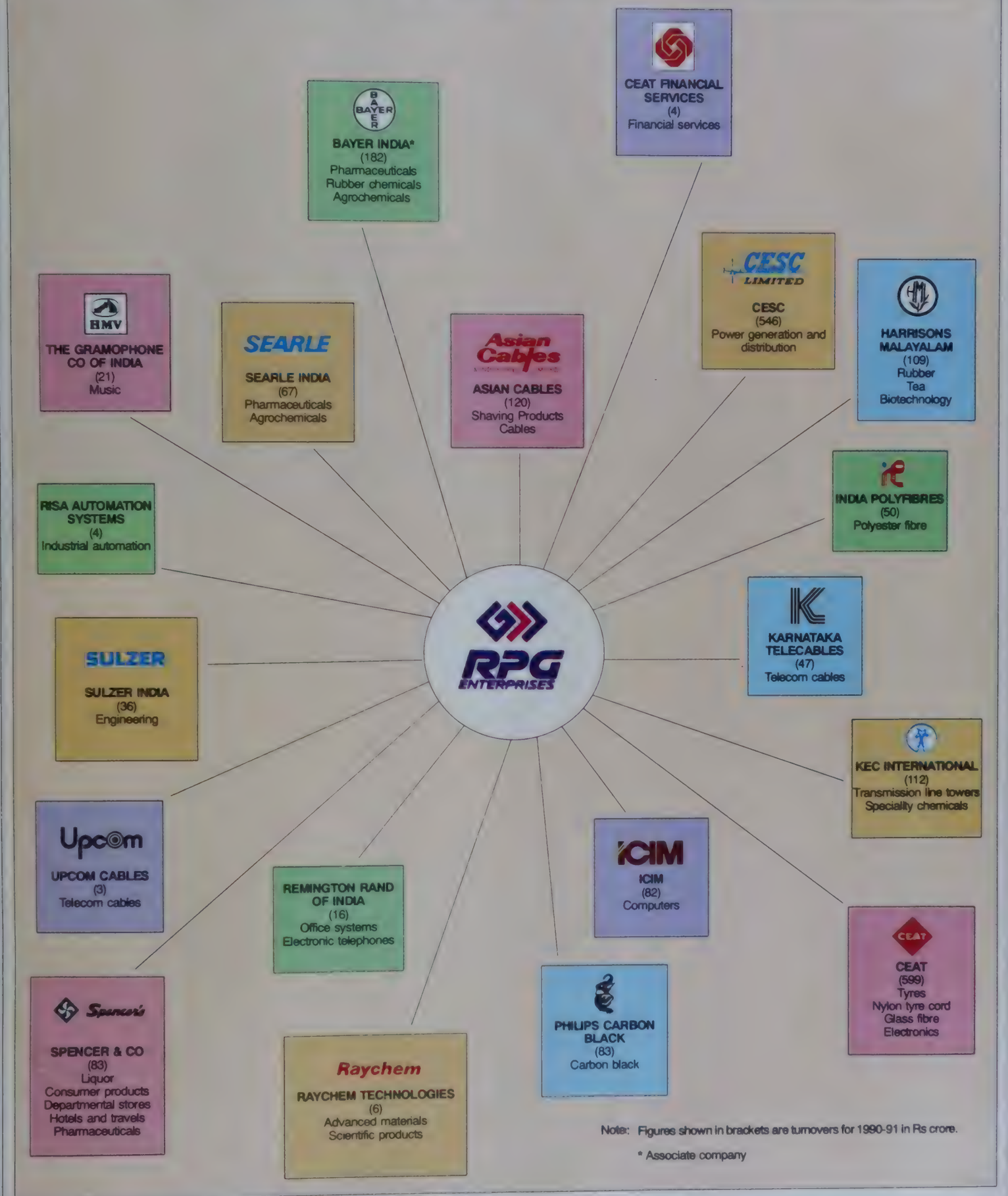
RPG Enterprises vice-chairman Sanjiv Goenka, 37, who is Calcutta-based, points out that the group arguably has access to the largest number of *Fortune* 500 companies through long-term technology tieups and/or financial participation. RPG's two dozen or so overseas partnerships encompass a variety of relationships: a minority stake, equal equity participation, technology collaborations without equity stakes, a majority stake and so on. "We are flexible in all, but our belief is that we should get the best technology," says Sanjiv.

Nevertheless, even with the best technology, things can and do go

In a unique exercise, *BusinessWorld* asked Rama Prasad Goenka to mark himself on a subjective self-scoresheet. On a scale of 0 (minimum) to 10 (maximum). Here is the result:

Attribute	Marks (out of 10)	Remarks
1. Sense of humour	5	—
2. The killer instinct	6	Earlier I would have got 9 marks, may be. But with age, I have now mellowed.
3. Generosity & magnanimity	8 or 9	I try to pretend that I am very generous.
4. Corruption	—	It is my belief that it is difficult to find a person who is totally incorruptible. If a person takes shelter of corruption under distress conditions, I would understand him. After all, is there anyone who is lily-white?
5. Political contacts	4	I give myself pass marks, namely, 40%.
6. Leadership	—	I have seen many leaders without any following. To think of oneself as a leader might be full of pitfalls.
7. Happiness	6	I am a reasonably happy man, but I am happiest when I am at Tirupati or with my grandchildren.
8. Ruthlessness	3	I try not to be ruthless, but in some cases I couldn't help it.
9. A sense of satisfaction	7	—
10. Upholding fair business value systems	6	We try to do the maximum, but I find a lot more has to be done. The effort has to be a continuous one.
11. Delegation of authority	10	I give myself full marks on this.

THE RPG EMPIRE



Note: Figures shown in brackets are turnovers for 1990-91 in Rs crore.

* Associate company

wrong. The Norplex/Allied Signals (US) collaboration for making copper clad laminates at a plant near Srinagar has been torpedoed by the adverse political situation in Kashmir. Another example: despite Du Pont technology in polyester fibre manufacture, India Polyfibres has had a red-splattered balance-sheet thanks to an adverse external business environment. Similarly, despite Wilkinson Sword knowhow, the fantastic market clout of the mighty Malhotras (controlling an estimated 88% of the Indian blades market) has effectively stymied Wiltech's prospects, leading to the unit's recent merger with Asian Cables.



RPG (SEATED), SANJIV (L) & HARSH: *Talented trio*

Unfortunately for RPG, the perception that greenfield ventures are not its forte seems to have stuck. Goenka takes umbrage at this insinuation and strives to demolish it (see interview). And significantly, virtually all of RPG's future growth plans, partly described above, are based on executing large greenfield projects. It is foolish to imagine that the Goenkas are not fully self-confident in this regard.

The other perception that persists is that Rama Goenka owes his success primarily to the Nehru-Gandhi family, which was in power for a long time. Goenka does not hide the fact that he is an ardent admirer of both Nehru and Indira Gandhi, and that his "association" with the family continues. Indeed, he has the rare distinction of being a member/trustee of each of the three public trusts legated by the family: the Jawaharlal Nehru Memorial Trust, the Indira Gandhi Memorial Trust and the Rajiv Gandhi Foundation.

However, the unpleasant truth that a close relationship need not necessarily bring favours was driven home barely a couple of years ago by West Bengal chief minister Jyoti Basu, with whom too Goenka has enjoyed an enduring relationship. To Goenka's dismay, even after prime minister Rajiv Gandhi had laid the foundation stone of Haldia Petrochemicals, Basu annulled RPG's role as co-promoter and brought in the Tatas instead. Goenka concedes that the snatching away of Haldia Petrochemicals was "painful" for him to bear — but bear it he did, and with a smile too.

Indeed, Goenka's public image is decidedly one of unflappability — and of maddening patience. (He tried to take over Remington in 1976 and failed, but waited quietly for 15 years before making it his own.) His Job-like perseverance yields dividends in the long run. He admits his failures and disappointments, and does so without rancour.

Being unruffled in the face of provocation is a trait that makes Goenka an inscrutable adversary. "He is the sort capable of executing unpleasant decisions with great finesse," quips an anonymous commentator. But then, even a bitter ex-partner like Manu Chhabria can have no cause for apprehension. Goenka has willingly gone on record (see interview) to declare that "I will never harm him." He only concedes that Manu has taught him a lesson: "Be extra careful in choosing your partners."

The net result of this self-depreciating stance is that in public life, Rama Goenka is singularly devoid of enemies. Rivals, yes; adversaries, perhaps; but hardly any enemies.

And at the end of the day, if the RPG Enterprises success story is to be encapsulated in a single sentence, it'll have to be that Rama Prasad Goenka is a supreme realist. He has that uncanny intuitive knack of sensing that fine line which, if transgressed, can turn dreams into nightmares. In all his ups and downs, achievements and failures, right and wrongs, he has managed to keep to the right side of that invisible line.

Which is why, when he goes to bed again at around four o'clock after spending a couple of hours in a brown study, Goenka optimistically looks forward to slumber — and his favourite dream.

□ Sujoy Gupta

BATTERED BY PROBLEMS

It has lost quite a bit of its charge. Standard Batteries Ltd (SBL), the maker of industrial, automotive, submarine and miners' cap lamp batteries, has a lot going against it at the moment. Its primary export market — the former USSR — now exists only in history books. Excise imposts on lead — which form 60% of the battery content — have been constantly on the rise. Competition from the organised sector and, more importantly, the unorganised players has put a squeeze on margins. And the recession raging in the automobile industry doesn't make for a too rosy picture.

However, at the moment SBL is facing a different kind of charge — one the management can hardly boast about — that of labour. The company's Vakola (Bombay) unit, where the bulk of production is undertaken (the company has two more at Kanjur — Bombay — and Guindy — Madras — which manufacture submarine and miners' cap lamp batteries respectively), has been locked out.



SINHA: *Facing labour unrest*

Managing director V.B. Sinha explains the reasons: "There are problems in Vakola. This unit, which is 45 years old, has 10 different sheds. In order to introduce world-class batteries we need a single-floor factory. The old factory isn't consistent with the new technolgy we have. Second is the pollution problem. Since the factory is located in a residential area, it is a potential hazard. The chance of a mishap cannot be ruled out." The solution: Sinha, for a year, had been persuading the workforce to move out to a new factory at Taloja where the government has allocated 20 acres.

High labour cost. Sinha also cites the high labour cost as a reason for the Vakola unit being unviable. "We have around 1,100 workers and the total cost per worker is approximately Rs 6,500. We need to improve productivity through an improved layout and reduce the number of workers. (Sinha wants the workforce trimmed to 600.) Present production at this unit is, say, 50% of Chloride's Pune factory."

This, however, doesn't seem to cut much ice with the union presided over by Datta Samant who, along with the workers, has been raising Cain. Although Sinha insists that an agreement was reached in February this year, Samant denies any such thing. "It's all a bluff. Nobody has signed any agreement," says he.

According to the "agreement," workers were to be provided free transport to the factory location, additional compensation of Rs 200 per worker and a 50% increase in the early voluntary retirement (EVR) scheme. "We put in an additional Rs 1.75 lakh into the EVR scheme," says Sinha.

Samant sees no reason for the lock-out. "The management wants to sell the land; the workers are opposing this move. Is it reason enough for a lock-out?" asks Samant. He accuses the management of creating "fear psychosis" among the workers. "In the past four-five months, there have been delays in payments, workers have been transferred from department to department and were being forced to move to Taloja. The management is telling them: 'if you want bread go to Taloja,' " says Samant. He also believes the pollution hazard is hogwash. "There is no pollution problem at Vakola," he says. Counters Sinha: "Lead-acid battery manufacture in a residential area is a risky proposition." He claims to have received several complaints over the past years from the neighbourhood, the Bombay Municipal Corp and the Pollution Control Board. Allegations of causing the deaths of some residents have also been hurled.

Sinha, on his part, says that indiscipline and sabotage were the main reasons for the lock-out. "The agreement was signed in February this year. But when Samant stepped in in March he resorted to threats and intimidation which forced us to declare a lock-out on 21 April."

Labour pains are not a novelty at SBL. A four-month lock-out in 1983 was followed by a crippling nine-month strike in 1988-87. But once that hump was crossed, the company's prospects took a turn for the better. "Post-1989, we increased production by 40%. The year to March 1990 saw us wiping out our previous year's Rs 3 crore loss," says Sinha.

Also responsible for the reversal of fortunes were the technological tieups SBL worked out with four international outfits in 1988-89: Furukawa of Japan for automotive batteries, Hagen Batterie of West Germany for submarine batteries, Oldham of France for stationary and traction batteries and Hawker Sideley of the UK for miners' cap lamp batteries. "The idea was to bring in technology, improve productivity and increase our share in the market."

The results showed — at least for the 15 months ended 31 March 1990. Turnover stood at Rs 85.29 crore on which the profit after tax was Rs 1.65 crore. While the year ended March 1991 saw turnover at Rs 75.05 crore and net profit at Rs 0.60 crore. Says Sinha: "1991 saw marginal profits because of the price-cutting resorted to by the competition."

However, it's been a downhill ride since then. For the six months to December 1991 the company slipped into the red by Rs 1.28 crore and, according to SBL vice-president (finance) F.J. Guzdar, "the losses for the six months to March 1992 are

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higher," although he doesn't give any figures.

The reasons are manifold: first on the list is competition. In submarine and miners' cap lamp batteries SBL, until recently, enjoyed a total monopoly. Not anymore. Chloride Industries has stepped in and has already grabbed 20% of the Indian Navy's orders for submarine batteries.

However, the goldmine without doubt is the automotive battery arena where SBL, with a 15% slice, is a distant second to Chloride which rules the roost with a 60% chunk of the Rs 300-320 crore cake. And the replacement market is where the moolah really lies.

Explains Sinha: "When we sell to original equipment manufacturers (OEMs), we are essentially making a loss. One has to make up for it by selling in the replacement market. But to do so we have to establish ourself first with the OEMs." The replacement market isn't SBL's forte; it commands a small 10-12% share. "In two years we should be able to establish ourselves in the replacement market. Once we get 25% of the market we become a blue chip."

While players like Chloride, Amco and Willard, to name a few, will definitely give SBL a run for its money, what probably gives Sinha — and his competitors — sleepless nights is the unorganised sector which makes up about a third of the total automotive batteries market. Says Sinha: "The unorganised sector has no excise duty, no sales tax. It makes spurious batteries and sells at one third the market price."



Another reason for SBL's shrinking bottomline is the passing away of the former USSR. In 1989-90, SBL had exports worth Rs 7-8 crore. However, 1991-92 saw that figure halve to Rs 3-4 crore. SBL is now looking to the African and west Asian countries to hawk its wares. Says Sinha: "With our high import content, exports are not remunerative even with the new policy announcements."

Lead import is another factor that weighs heavily on the industry. About 60% of the battery content is lead. The rupee devaluations and the excise hike in the budget have made lead dearer. "In March 1988, lead was priced at Rs 21,000 a tonne. Now it's about Rs 39,000," says Sinha by way of explanation.

Add to all this the automobile recession and SBL's cup of woes begins to overflow. "OEMs have lowered production. And the high cost of money ensures that the replacement market is also down. Nevertheless, if your battery is bad you have to replace it," says Sinha.

The problems are many. But first on Sinha's priority is the labour strife at the Vakola unit. "In the next two years we have to establish ourselves. We are on a good wicket," he maintains. At the moment though, with Samant and his men playing a different ballgame, Sinha'll need all his expertise to see him through the day's play.

□ Brian Carvalho



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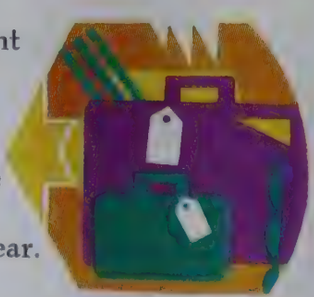
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GRAUER & WEIL (INDIA)

A NEW FOCUS

Growel is the brandname of some of its products. And these days Bombay-based Rs 33 crore speciality chemicals and engineering company Grauer & Weil (India) — G&WI — is really living up to that brandname. The company, a part of the Rs 65 crore More group (which came into being after a split between the Mores and the Goenkas, a couple of years ago), is getting into the manufacture of new import-substitute chemicals, consolidating existing businesses and pushing exports hard.

The first steps in this direction were taken recently when G&WI sealed three deals: one, with a Japanese firm, Tamura Kaken, and two with Enthone-OMI of the UK (a subsidiary of G&W UK, which has a 6.5% stake in the company), to make speciality chemicals.

Says G&WI president Suresh Pareek: "Under the first agreement with Tamura Kaken, we will make five new varieties of printed circuit board (PCB) inks apart from some fluxes." The investment: Rs 2 crore at its Kandivli plant, and production is slated to commence in December 1992.

The second agreement with Enthone-OMI is an extension of an earlier technical deal to make speciality chemicals used in the manufacture of double-sided or multilayered PCBs and in electroplating. Pareek says that demand for the new PCB and electroplating chemicals should be around Rs 1-1.5 crore and Rs 5-7 crore respectively in 1992-93, but he expects it to increase over time.

Adds managing director Ramesh More: "The agreement is being extended for the next five years and also includes the manufacture of chemicals used in EMI (electromagnetic interference) and RFI (radio frequency interference) shielding processes." According to Pareek, the reason the company is getting into EMI and RFI coatings relates to the arrival of multinationals like IBM and Hewlett Packard into the country. Says he: "Internationally these coatings are essential and we thought we should be ready to provide them (the MNCs) with the products once the need arises."

> *We thought we should be ready to provide the MNCs the products they need when they come in*
>
> **Suresh Pareek**
>
> *president*



The third agreement is in the shape of a memorandum of understanding with Enthone-OMI. Under this, Enthone-OMI will use G&WI as a sourcing company for both intermediate and finished speciality chemicals. "They've recognised our research and development (R&D) skills," says Pareek.

The main breadearner. On the whole, G&WI's chemicals division is a major moneyspinner, contributing nearly 70% to the company's turnover. Says Pareek: "We can boast of having the most diverse range of chemicals, many of them developed indigenously." Mostly used in nickel, palladium, chrome, zinc and cyanide-cobalt plating, these chemicals are manufactured according to orders placed by clients. And there are some blue-chip ones in that list: Larsen & Toubro, Siemens, Hero Honda, Indian Aluminium, Hindalco, and Gujarat Narmada Valley Fertilizer Co, among others.

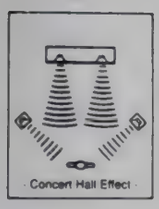
On the engineering side, the company manufactures plants which are needed to make PCBs for electroplating and to treat effluents left over from plating processes. In 1988, G&WI flagged off a new line to turn out wet-processing equipment, used in PCB manufacture. Its technical collaborator: Hans Hollmuller GmbH of Germany. The line chipped in Rs 2 crore to the company's turnover in 1991-92, but the endeavour is to improve on that figure.

The same is the case with exports. In the year to March 1991, overseas shipments were Rs 40 lakh. "This year we will be touching Rs 3 crore," says Pareek. The factor behind G&WI's success on this front has been its inhouse technical skills, reveals Pareek. "In December 1990, looking at the approaching forex crisis, we decided to go on an indi-

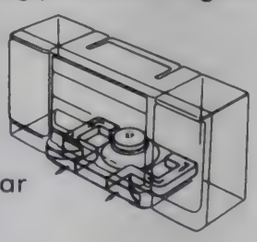
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GRAUER & WEIL

genisation drive through R&D."

Thankfully, the company did so early on, for the import and credit squeeze that followed would have punched holes through its bottomline as G&WI's products had an import content of nearly 35-40%. As part of the indigenisation drive, an R&D centre was set up in Bombay. And the company doubled its R&D spend to 4.44% of turnover in the year ended 31 March 1991.

To good effect. Explains vice-president (chemicals division) V.S. Kulkarni: "Our efforts are bearing fruit. The import content has been reduced to 15%. This has resulted in the company becoming more cost-competitive overseas." Hence, Pareek is confident enough to say that exports will touch Rs 5 crore in 1992-93. "We have opened distribution offices in Hongkong and Taiwan which will help us a lot," says he.

GRAUER & WEIL (INDIA)

(Rs crore)

	1988-89	1989-90	1990-91
Sales	29.14	29.24	32.38
Gross profit	1.03	1.37	2.15
Net profit	0.56	0.87	1.48
Equity capital	0.38	0.38	0.77

Source: The company.

Pareek expects all the new initiatives to yield maximum returns by August 1992, with turnover, which is expected to be Rs 40 crore-plus for the year ended March 1992, climbing to Rs 55 crore-plus in 1992-93. Net profit is slated to cross the Rs 2 crore mark in 1991-92, yielding an earning per share (EPS) of Rs 26-plus on an equity capital of Rs 76 lakh (following a 1:1 bonus in 1991). The share is quoted at Rs 500 (Bombay stock exchange, 29 April).

With a gee-whiz performer like that, the Mores (Growel Chromates, Poona Bottling — a subsidiary of G&WI, the newly-promoted Growel Times and Waluj Beverages are some of the other companies in the group) are gung-ho about prospects. Says More: "The sky is the limit for us. G&WI will continue to focus on those speciality chemicals where very few are likely to enter. We will always be looking at forward and backward integration." That's corporate strategy for you.

□ Jiten Mehta

ALLEN-BRADLEY INDIA

GROWING AMBITIOUS

It's a small room on the first floor of the Sahibabad factory, on the outskirts of the capital. Stocked with popular magazines and technical journals, it carries an unusual name tag: the Ignite (Idea Generation for Improvement, Teaming and Effectiveness) Room. Company staff are encouraged to browse here between 3 and 4 pm. Reading, the belief goes, helps generate ideas.

To be sure, Allen-Bradley India Ltd (ABIL) is that sort of company — it awards trophies to employees for customer satisfaction (the "Davis Cup"), for quality improvement (the "Quest" trophy), plasters factory walls with exhortations and sends technical staff every year for management courses. But the Rs 20 crore industrial automation enterprise didn't quite draw on the Ignite Room for its latest idea: hitting sales of Rs 100 crore over the next six years, embarking on an expansion drive and taking on chief rival Siemens in the marketplace.

On the face of it, that goal seems far-fetched. ABIL is a minnow in a high-technology pond populated by whales (Asea Brown Boveri, Larsen & Toubro and Tata Honeywell, apart from Siemens). The one-factory company has yet to wipe out accumulated losses of around Rs 1.25 crore, even though it's been in the black for the past couple of years. And it's just about settled down after a headline-hitting change in ownership.

Barely two years ago, the Calcutta-based Khaitans (the fan manufacturers who promoted ABIL) and the Dalmias (whom the Khaitans roped in later), hawked their combined 61% stake in ABIL to Crompton Greaves and associated firms. ABIL had cash flow problems. Rumours were rife that the closely-held, deemed public company was closing shop, so much so that US principal Allen Bradley wrote to 200 customers informing them of its commitment to the Indian joint venture (it has a 39% stake in ABIL's Rs 7.30 crore equity).

So why is ABIL talking tall? For one, the seven-year-old company's fortunes have climbed in the past two years. "Financially, we've improved," says ABIL president Jayanta Chatterjee. "We should be able to clean up our balance-sheet by 1992-93. We should have done that last year but we lost Rs 1.8 crore because the rupee was devalued (we had overseas suppliers' credit)." For another, targets are now being exceeded; a couple of years back, they were never met. "At the beginning of 1990, 18% of our orders were executed tardily," points out Chatterjee. "At the end of last March 0.2% of orders were delivered late."

Dramatic change. As company officials like to tell it, ABIL's story is a

THE ABIL HQ: *New ideas*





CHATTERJEE: *Encouraging worker participation*

tale of dramatic transformation in the past two years, a process that was aided by the close involvement of shopfloor workers and staff in corporate strategy. "Change has been possible because of the involvement of people even at the shopfloor level," argues Chatterjee. All companies review goals and achievements at quarterly board meetings, but ABIL also does this with employees up and down the line at widely-attended meetings. Then, the company launched an ongoing organisational restructuring programme, among other things splitting the project department into three groups that focus on customers in groups of industries.

That's not the principal reason, of course, for the upbeat outlook. More crucially, the Rs 80-odd crore programmable controls and automation systems market is growing at an annual clip of 25% to 30%. In fact, Chatterjee thinks that the market will continue to burgeon, simply because industrial automation is here to stay. Hawking automation systems was tough some years ago, but customer attitudes have since changed. "Cement plants, for instance, are getting larger and larger. Plants used to turn out 750 tonnes a day; they now turn out 3,500 tonnes, and you can imagine the cost of a 3,500-tonne-a-day plant stopping for two hours." In these conditions automation is important. And new businesses require industrial automation: food processing, for example.

Certainly, this is reflected in ABIL's bulging order books. Orders in hand now tot up to some Rs 23 crore. "We've had a 38% increase in orders this year over last year," notes ABIL executive vice-president Ranjan Kumar De.

What's more, closing in on Siemens isn't impossible: Siemens accounts for about 25% of the market, versus ABIL's 20% share. Siemens and ABIL lock horns only in the programmable logic controls (PLC) and automation systems market (which is just a small slice of the Rs 400-crore industrial automation business). The Bombay-based affiliate of the German multinational operates in several other areas ABIL ignores. So company officials try and use this to ABIL's advantage. "Our products are not cheaper than those of Siemens, but we tell our customers that our product is our bread and butter — which it is not for Siemens," says De gleefully.

Changing focus. ABIL is also changing tack in its quest for the big time. So far, it has focused on its core PLC business, but this is changing. The product base is being expanded. About Rs 6 crore is being invested in two new product lines: the so-called operator windows or sensing products; and a series of hardware and software products to integrate information and control systems in factories.

All this calls for cash, of course. Where will the funds come from?

One possibility is bank borrowings. These are already at Rs 3.78 crore, but could go up to Rs 5.80 crore. Yet, at these levels, debt servicing could be a problem. The other option: issuing fresh equity. ABIL has always considered the possibility of expanding the equity to Rs 11 crore over the next few years, but the jury is out on that. What seems clear is that a public issue is in the offing 12 to 24 months down the road. In turn, that will alter the shareholding pattern, perhaps to 40:40:20.

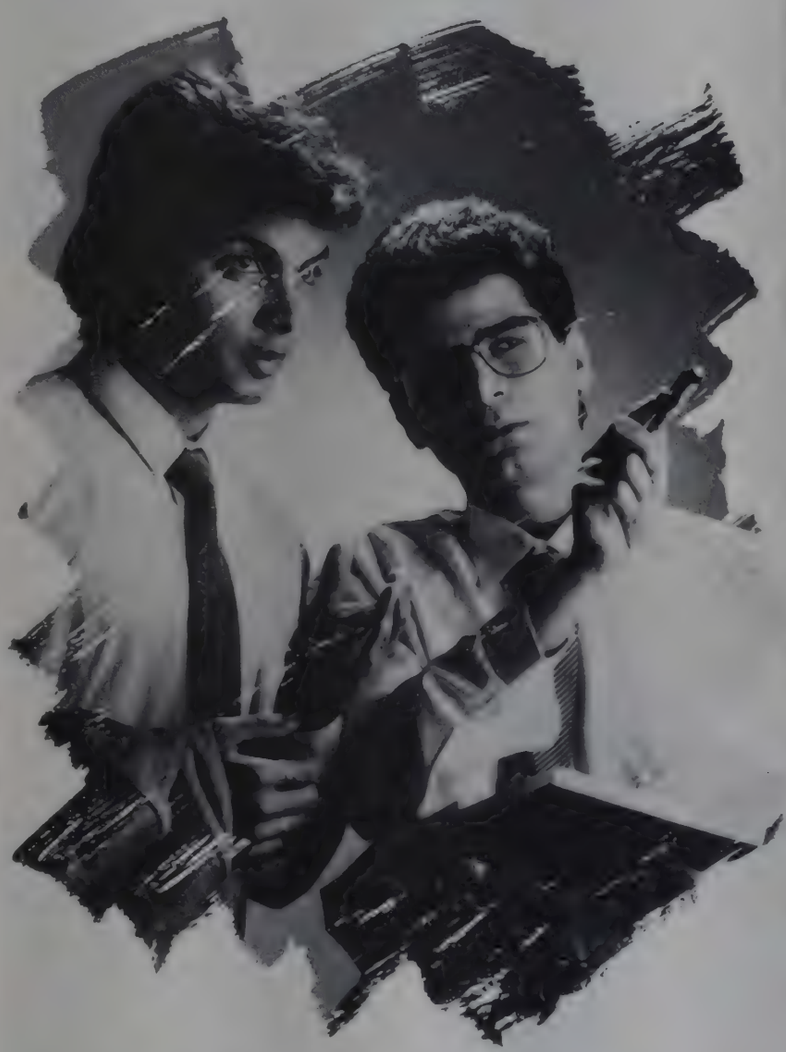
However, all this is in the distant future. What is certain for the present is that ABIL is set to ignite its future.

DE: *Orders are increasing*



□ Palakunnathu G. Mathai

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2nd Year	15.25%	End of 22nd month	1297/-
3rd Year	15.50%	End of 34th month	1498/-
4th Year	15.75%	End of 46th month	1734/-
5th Year	16.00%	End of 58th month	2011/-
6th Year	16.25%	End of 70th month	2338/-
7th Year	16.50%	End of 82nd month	2724/-
8th Year (for last 8 months)	17.00%	End of the Scheme	3032/-
* indicative			

Scheme	Type of Scheme	N.A.V. before dividend as on 31.3.92 (Rs.) For Face Value Rs. 100	Annualised growth of N.A.V.**
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Swarna Pushpa	Income	181.28 (in just 25 months)	46%
Ind 88A	Tax Saving – Growth	568.26 (in just 18 months)	312%
Ind Jyothi	Income	172.61 (in just 16 months)	54%
Ind Sagar	Growth	249.79 (in just 7 months)	257%
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POWER-PACKED PLANS

In the past, it has had some of its plans short-circuited. But, today, with the business climes freer, there's an undercurrent of bullishness at English Electric (EE) Co. The Madras-based outfit, which is 67% owned by global juggernaut GEC Alsthom, has been mapping out strategies that are in the process of being translated into action. But on a very quiet note. Says managing director C.R. Balasubramanian: "Our immediate plan of action is to make EE into an ISO 9000 company, which should be during the ongoing year, and soon become No 1 in all the product segments we compete in."

Even turnover and profitability-wise, EE wants to emerge a much stronger powerhouse. Towards that end, the company has already expanded the product range in all its bread-and-butter segments: standard products, switchgears, relays and control panels. Now, all the EE units in three locations — Madras, Hosur and Pondicherry (since 1989-90) — turn out these products plus custom-built control panels, fusegears and circuit-breakers. Says director K. Vasudevan: "Fusegears, relays and circuit-breakers account for as much as 60% of our turnover." That is a quantitative assessment. Going by profitability, standard products emerge as the flag-bearers.

In a bid to improve its margins across the board, EE has been monitoring the import content of its products. Switchgears now have no import content, thanks to the indigenisation effort that began in the seventies. Relays do (between 10-15% of their sale value), but efforts are on to lower the ratio. Says Balasubramanian: "Our total import content has been just about static over the past four years and we are sure it can be pulled further down."



VASUDEVAN: *Banking on exports*

Coping with competition. With heavyweight rivals like GEC (India), Siemens India, Asea Brown Boveri (ABB), Crompton Greaves and Larsen & Toubro (L&T) how is EE coping? Take the switchgear segment as an example. L&T and Siemens India rule the roast here with EE's slice being around 18%. Couldn't this have been better? Explains Balasubramanian: "Until three years ago, we were not allowed to expand into contactors and starters which make up one-third of the total switchgear segment of the market." The result: for long, EE had to buy these products from its current competitors. Adds Balasubramanian: "Had we begun making these during the seventies, we would have been the market leaders today."

The hassle wasn't solely restricted to contactors and starters. Obviously, there were others. The directorate general of technical development said no to EE's plan to make control drives and programmable logic drives which go into relays and controls. What's more, the miniature circuit breaker, a switchgear component, was reserved for the small-scale sector. Says Balasubramanian: "We got our application through just three years ago."

What he is implying is that EE has sound reasons for not being numero uno in all the products it makes. With a liberalised regime, it is only now that EE has been able to feel around. Recently it made an application to turn out energy meters and control

BALASUBRAMANIAN: *Aiming for the top position*



ENGLISH ELECTRIC

EE: A FINANCIAL PROFILE

(Rs crore)

	Year ended 31 Mar 91	Year ended 31 Mar 90	6 months ended 30 Sept 91	6 months ended 30 Sept 90
Gross revenue	130.46	109.88	65.98	58.83
Gross profit	15.20	11.36	7.16	6.32
Profit after tax	7.06	6.66	2.41	2.80
Equity share capital	18.00*	9.00	18.00*	9.00
Reserves & surplus	18.22*	22.58	—	—
Earning per share (Rs)	3.92*	7.40	2.68*+	6.22+
Gross margin (%)	11.65	10.34	10.85	10.74
Net margin (%)	5.41	6.06	3.65	4.76

* After a 1:1 bonus issue during 1990-91
+ Annualised

drives in its Madras unit.

Not that its problems have totally ended. EE is still largely dependent on the cash-strapped state electricity boards (SEBs) for sales of its low-voltage control panels, which account for as much as 18% of its aggregate annual turnover. Says executive director (finance) Kamalakar Gupta: "All our large dues are from the SEBs. Add to this the fact that (since) it is also a dealer business where we have to allow 60 days' credit, our average debt collection period here is about 70 days."

In control panels EE has another limitation vis-a-vis ABB, its major competitor here. ABB makes its own static protection relays and thus its control panels are very cost-competitive. Agrees Vasudevan: "Yes. We are now gradually raising the proportion of static protection relays used in our control panels. It is about 40% today."

Identifying other thrust areas is certainly one way out. The management is more than aware of this. It zoomed in on testing and measuring instruments sometime back and it is this division which is receiving greater attention these days. Set up in collaboration with Marconi Instruments (a part of GEC plc), the division produces signal generators, radio frequency testing and measuring instruments, and its turnover is around Rs 3 crore.

To accord it independent status, the company is shifting the division away from the Madras unit to a site at Vadapalani near Madras (which will finally be shifted to the company-owned 20-acre plot at Porur near Madras). Meanwhile, the division is gearing up to launch the latest in the testing and measuring range: radio test sets and frequency power meters.

Also on the agenda is the manufacture of servomotors, which will be an import substitute. While Kirloskar Electric does make them, the numbers are not enough. Says a Kirloskar Electric executive: "As much as 75% of the nation's servometer demand is currently met through imports." And EE sees no major threat for this product as the technology is from Parvex Dijon, GEC Alsthom's French arm. Says Balasubramanian: "In two years, we should be able to carve out a marketshare of 10-15% and in five years 30%."

Exports is another area where EE is getting ready to make an offensive. Says Balasubramanian: "Exports to date have not been much, just about Rs 50 lakh-plus, and only to west Asia and the far east." All that seems to be changing. The target for the ongoing year: Rs 3-4 crore. Malaysia, Thailand and Sri Lanka are the countries EE is eyeing.

EE Vs THE COMPETITION

Company	Profit before tax to gross sales (%)	Earning per share (Rs)	Dividend (%)	Gross sales growth (%)	Gross block growth (%)
English Electric	10.0	3.92	13.50	18.8	37.8
General Electric	4.6	3.61	11.00	14.0	23.8
Siemens	6.4	6.77	22.50	37.1	13.8
Crompton Greaves	3.5	110.50*	20.00	20.8	28.1
Larsen & Toubro	6.9	11.60	30.00	16.7	11.8
Asea Brown Boveri	6.5	8.86	27.00	11.0	4.9

* Paid-up value per share Rs 100 (Rs 10 in all other cases).
Note: (1) Ratios have been annualised wherever necessary for objective comparison.
(2) Asea Brown Boveri's figures are for the year ended 31 December 1990. The rest are for the financial year 1990-91.

Apart from this, the company is also scanning other global nooks in a bid to turn forex-neutral. Under exploration are shipments of circuit-breakers, fusegears and standard products. Exporting components to GEC Alsthom, as a part of the latter's global sourcing strategy, is another opportunity knocking at EE's doors. Says Balasubramanian: "We have already entered into an agreement with GEC Alsthom's Liverpool unit under which we will be supplying components worth Rs 10 crore during the next five years." Adds Vasudevan (quoted earlier): "Exports to GEC Alsthom, Australia, are also under consideration."

A sharper export offensive and the fact that the domestic power sector is all set to open up should ensure EE's growth. Shareholders can look forward to a power-packed performance.

□ A.H. Ghani

GUPTA: *Credit problems*



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BANKING ON THE BEAN

It is an industry that is full of beans. And the Indian soya processing industry has good reason to be so. The nightmare of the mid-eighties, when the rain gods failed to deliver, is now almost forgotten. The famine of profits is history as record harvests over the past few years have transformed soya into a golden bean.

Among those that have successfully ridden the current boom is Tri-Star Soya Products Ltd (TSPL). A major player in the soya-processing market, TSPL's happy harvest has been reflected in its share price. (During the year ended March 1991, TSPL's gross profits trebled to Rs 6.08 crore, while the six months ended September 1991 yielded another 2.46 crore.) As the stockmarket bulls were let loose on the fertile soya fields, the TSPL stock soared from the under-par dumps to a recent 52-week high of Rs 225.



MANSINGKA: *Waiting for the monsoon*

But what of the future? "It all depends on the monsoons," says TSPL managing director M.K. Mansingka. "We expect normal monsoons this year. Soya does not require much water. What is important is that it should be spread evenly over time," he adds. His confidence may seem misplaced. After all, the statistical probability of a fifth successive good monsoon is low.

Mansingka, however, is prepared to put his money where his mouth is. TSPL is planning to double the processing capacity at its plant from a current level of 500 tonnes per day (tpd). Of course, the plant will not restrict itself to soya processing alone. Since that is a cyclical business, with most of the work done during the soya harvest months between October and March, there is always the danger of capacity underutilisation. To prevent that, the company has also gone into the processing of rapeseed and sunflower.

"We want to go slow on the diversification front. After all, one should be good at what one is doing. For us that means soya processing," argues Mansingka. But that leaves the Rs 70 crore-odd company totally at the mercy of the vagaries of the monsoon. The soya harvest can make or break TSPL's fortunes. (Around 75% of the company's cost structure is accounted for by raw materials.)

The TSPL top brass, however, continues to be confident about the future. The company is currently in a far better position to face a poor soya harvest than it was in its salad days during the mid-eighties. (TSPL commenced production in 1984-85.) Here's an indicator: the company's reserves at the end of the last financial year were at a comfortable Rs 6.21 crore.

Key ingredient. Nor is the domestic demand for TSPL's products too poor. The main product, soya oil, is a key ingredient in the making of vanaspati. The runaway rise in the prices of edible oils, especially vanaspati, will ensure a good price realisation for soya oil. More so if one considers the fact that over the past year or so the price of vanaspati has outperformed even the runaway inflation rate. "This was essentially the fallout of the political and economic chaos of 1990. I doubt whether the soya processors will ever face such a profitable market again. The margins they got then were almost unimaginable," notes a market source.

True. But the fact is that domestic demand for soya oil is expected to remain buoyant during the coming financial year. Nor is the export market exactly depressing. This is very crucial for TSPL. Out of the total 1990-91 turnover of Rs 67.07 crore the company shipped Rs 15.73 crore abroad. Not bad, especially when compared to its piffling foreign exchange outgo of Rs 0.18 crore during the same period. These export proceeds have also minimised the company's tax liability.

India's contribution to the international soya market is restricted to only 2.5%; nevertheless, soya exports have been buoyant. Though the extent of the US and Brazilian crops, a major influence on international soya product prices, is not known as yet, the company expects prices in dollar terms to rule firm in the coming year. If that assumption turns out to be true, TSPL can be safely expected to rule strong in this lucrative segment.

Another factor going TSPL's way is the destination of its exports. During the last financial year, the company directed around four-fifths of its export basket to the countries of the general currency area (GCA). By avoiding the rupee payment area (RPA) trade TSPL has managed to avoid the heartburn of facing a rapidly collapsing market. This is precisely what many exporters to the Commonwealth of Independent States (CIS) are experiencing.

Yet, this picture is coloured with one optimistic assumption — the continuing easy availability of the basic raw material, soya bean. That, to reiterate, depends crucially on the fact that the monsoons do not play truant. Will the rain gods smile on the soya crop? The answer to this question will finally determine whether Tri-Star will continue to be a star performer.

□ Niranjan Rajadhyaksha

■ The Steel Authority of India Ltd (**Sail**) is likely to incur a loss of around Rs 600 crore in the current financial year as against a profit of Rs 280 crore last year. According to company officials, the losses were mainly due to increases in the prices of three of its main inputs and lack of compensation for the hikes.

■ **Hero Honda** will soon start supplying knocked-down kits for 100cc motorcycles to Honda joint ventures in Mauritius, Iran and Bangladesh. The company will be one of the first Indian motorcycle companies to start exports to China, say company sources.



THE HERO HONDA: *China-bound*

■ The Gujarat State Fertilizers Co (**GSFC**) has tied up with Chemie Linz of Austria to set up two joint ventures, one for the manufacture of acrylonitrite and the other for marketing melamine. A third project to manufacture citric acid has also been finalised.

■ **Gannon Dunkerley & Co** is to take over Jaipur Udyog under a Rs 38.41 rehabilitation plan sanctioned by the Board for Industrial & Financial Reconstruction (BIFR).

■ Southern Petrochemicals Industries Corp (**Spic**) has signed an agreement with Biotech Consortium India, Delhi, for promoting bio-processes developed by Spic for effluent treatment plants.

■ India Information Technology Ltd (**IITL**), a company promoted by the Dalmia group's Orissa Cement, has tied up with Siemens to provide cellular mobile telephone networks in Delhi, Bombay, Calcutta and Madras.

■ **Pantape Magnetics**, the fledgling magnetic tape manufacturing company, is to be merged with the Rs 150 crore DCW. The financial institutions have approved the merger proposal. The merger will mark a major diversification for the predominantly chemicals manufacturing company.

■ The Rinki group-promoted Rinki Petrochemicals & Industries Ltd (**RPIL**) is to set up a one lakh tonne per annum (tpa) methanol plant in technical collaboration with Lurgi AG, Germany. The project is estimated to cost Rs 180 crore. RPIL has entered into a 50% buy-back arrangement of its total production with Lurgi AG.

■ **Wockhardt**, a Bombay-based pharmaceutical company, has received the US Food & Drug Administration's (FDA's) approval for its bulk drugs and formulations plant. While several Indian companies have the FDA's approval for bulk drugs, Wockhardt is the first Indian firm to receive the approval for a tableting plant.

■ The UK-based **Rolls-Royce** is offering technology to Hindustan Aeronautics Ltd (**HAL**) to manufacture the latest generation 'Adour' engines for the Goshawk aircraft. The offer is part of the advanced jet trainer programme of the Indian Air Force.

■ The Bombay-based **Mukand Steel** and the Mittals of Nippon Denro have been shortlisted by the SBI Capital Markets for possible joint venture participation with the Steel Authority of India Ltd (Sail) for the modernisation of the Indian Iron & Steel (Iisco) plant at Burnpur.

■ The Cabinet Committee on Economic Affairs (CCEA) has cleared the Rs 125 crore collaboration between US multinational General Electric (**GE**) and the public sector Indian Petrochemicals Ltd (**IPCL**) to manufacture high-grade engineering plastics. The CCEA also approved a Rs 340 crore ethylene expansion programme for IPCL at Nagothane. The GE collaboration, christened GE Plastics, is expected to involve a total investment of Rs 700 crore. IPCL and GE will have equal equity participation in the project.

■ One of the largest textile groups in the world, Hanil Synthetic Fibre Industries of South Korea, proposes to have an equity participation in Hanil Era Textiles (**HET**), India's largest 100% export-oriented unit being set up at Patalganga near Bombay. HET will manufacture acrylic yarn, acrylic/cotton blended yarn as well as cotton yarn. The total project cost is estimated at Rs 90 crore.

■ **Hoechst AG**, the German chemical conglomerate, is to raise its equity in **Colour-Chem** from the existing 40% to 51%. Hoechst AG and Bayer AG originally had a 16.4% holding each in Colour-Chem. Hoechst AG purchased Bayer's stake a few years ago, thus raising its holding to 32.8%. Subsequently, it also bought the stake the Khataus had sold to Hoechst India, taking Hoechst AG's total holdings in Colour-Chem to 40%.

■ The BIFR has sanctioned a Rs 4.58 crore rehabilitation scheme for **Sharpedge** which envisages the company's amalgamation with Indian Shaving Products Ltd (**ISPL**). The scheme also involves expansion and diversification plans.

■ The race for the takeover of the Rs 200 crore Uptron Colour Picture Tubes (**UCPT**) has hotted up with the Uttar Pradesh government relaxing qualifying norms for prospective bidders.

THE UCPT HQ: *Still up for grabs*



BRIEFS

■ A UK-based company, Frazer-Nash Technologies, has acquired a 40% stake in the Bangalore-based automobile manufacturer **Sipani Automobiles**. The Frazer-Nash group is a conglomerate of hitech companies involved primarily in technology development in areas such as defence systems, aerospace and other sophisticated areas of engineering and electronics. The company, with this tieup, will be able to establish a base in India to tap the export markets in third world countries.

■ **Nath Pulp & Paper Mills**, which makes paper and boards from bagasse, has taken the expansion-cum-modernisation route. The company recently trebled its capacity from 10,000 tpa to 33,000 tpa. It is also setting up a plant for soda recovery and power generation and also one for the manufacture of coated paper.

■ **Ingersoll-Rand (India)** has received its first order from Mazgaon Docks for the supply of compressor packages. The Rs 9.3 crore order involves the supply of six utility air compressors that will be hooked up on the well platforms that Mazgaon Docks is currently building for use in the Oil & Natural Gas Commission's Bombay High offshore project.

■ **Sika Qualcrete**, a Development Consultants group company manufacturing specialised construction chemicals in technical and financial collaboration with Sika AG of Switzerland, has hit the diversification trail. The company has identified three items — industrial adhesives, corrosion-protection chemicals and polyurethane sports surfaces — for its proposed diversification. A choice of one of the three identified items is to be made soon.

■ The International Finance Corp (IFC) has sanctioned $46 million for the **Ispat** group's 1 million tpa sponge iron plant being set up at Raigad (Maharashtra). Its contribution to the Rs 690 crore project, being implemented by **Nippon Denro Ispat**, will be in the form of term loans of $40 million and $6 million in equity. IFC's contribution is in addition to the $39.75 million loan extended by the Export-Import Bank of the US.

AWARDED

■ **Alfa-Laval (India)** vice-chairperson & managing director Lila



Poonawalla has bagged the prestigious International Excellence Award for her 'outstanding personal contribution to international business.' The award, which was presented to Poonawalla in London recently, has been instituted by the India-NRI International Conference.

■ Procter & Gamble (**P&G**) has been awarded the 1992 gold medal for 'international corporate environmental achievement' by the World Environment Center (WEC). The WEC gold medal honours multinational corporations that have outstanding, sustained and well-implemented worldwide environmental policies.

LAUNCHES

■ **Nirmann Weiner Machines** has developed a machine for grading, segregating and sorting. The gadget, claims the company, uses reliable and safe technology. It can cater to components with a diameter/thickness ranging from 0-50 mm and has a feed rate of 2,000-45,000 numbers per hour. The machine comes in four different sizes to suit different applications.

Contact: Nirmaan Weiner Machines, C-18 Nandjyot Industrial Estate, Safed Pool, A.K. Road, Andheri (east), Bombay 400 072. Tel: 5123874.

■ **Samagra Consumex Corp** has developed a barcode reader designed to read barcodes on regular flat surfaces using a wand and on badges, tickets etc using a slot. The gadget — called Maxspeed — consists of a scanner and a decoder. Optional facilities include printer ports and relays.

Contact: Samagra Consumex Corp, 114 2nd cross, Residency Road, Bangalore 560 025. Tel: 585082.

EVENTS

■ **Gramya Research Analysis Institute** has organised a national seminar on 'Process Equipment: Design, Fabrication & Quality Control' at Vadodara (Gujarat) on 14-15 September 1992. Topics covered in the seminar include design criteria and standardisation, stress analysis and sizing, selection of materials, welding and fabrication technology, amongst others.

Contact: The convenor, Process Equipment Technology Seminar, Gramya Research Analysis Institute, PB No 4016, 8 Manusmriti, 14 J.P. Nagar, Juna Padra Road, Vadodara 390 015. Tel: (0265)321179.

■ **AT&T** has announced a new service — World Connect Service — for those travelling or living abroad that makes calling other countries easy. Users of the service will be able to place calls to and from over 35 countries by using their AT&T Calling Card or Universal Card.

AT&T World Connect Service eliminates the need to understand unfamiliar foreign calling procedures, gives users a single record of their calls and eliminates language barriers by allowing users to place calls with the assistance of an English-speaking operator.

Contact: AT&T India Ltd liason office, International Communications Services, Mohan Dev House, 13 Tolstoy Marg, New Delhi 110 001. Tel: (0513) 91-11-331 0513/ 0556/6087. Telex: 3165342 ATTI IN.

The going is not as easy as in the past.

COLGATE'S NEW CHALLENGE

It's challenge time once again for toothpaste champ Colgate Palmolive (India). In the previous decade, it warded off the threat from Balsara Hygiene Products Ltd's (BHPL's) Promise and Babool. Only to be flanked by Hindustan Lever's Close-Up gel, which has since changed the complexion of the Indian toothpaste market. Today Promise is fighting back with new packaging and positioning. And it's not alone in this attack on Colgate dental cream's fief: also ready to rattle the sabres are Tata Oil Mills Co's (Tomco's) Effermint and Levers' relaunched Pepsodent (a product of the sixties) and Close-Up, which have brushed up plans to gobble away marketshare. And, of course, there's always the prospect of Procter & Gamble's (P&G's) long-talked-about Crest commencing its quest. Finally, Grasim Industries has also voiced its intention to launch a toothpaste.



GHOSH: *Toothpaste comes first*

Says Tomco vice-president (marketing) P.B. Bharda: "Colgate is going to have a tough time." Adds veteran toothpaste marketer N. Rajadhyax: "They are under pressure already — a number of new brands have come in." But Colgate managing director P.K. Ghosh pooh-poohs this charge: "Let new brands come in; they'll expand the market. The fact is we drive it. I don't think there'll really be any impact on Colgate."

But Operations Research Group (ORG) figures show that Colgate has been losing its grip on the 40,000 tonnes per annum (the current size) toothpaste market over time. Yes, it is still the big daddy in dental creams, but its marketshare has been falling gradually with the arrival of new entrants: from 85% a few decades ago to 57.7% in June 1989 to 52.2% in the last quarter of 1991. However, Ghosh has a ready riposte for this too. He says Colgate doesn't care much for marketshares. Says he: "Our gauge is volume growth; and ours are growing pretty handsomely." Adds director (oral care) marketing R. Sunderrajan: "They've been doing so faster than the market." (One guesstimate is that the toothpaste market is, currently, growing at 10% annually.)

Under pressure. Nonetheless, there is a general feeling that the company is under some sort of pressure in the marketplace. And shoring up this is the fact that the company has, after a long time (some marketers say in a decade), started doling out discounts on toothpaste to the trade through schemes in certain areas. (Apparently, the scheme is being used to push Colgate Blue Gel and the discount being offered is in the region of 2% — rivals say it's 4%.) Says a marketer at a rival toothpaste manufacturer: "Colgate used to demand demand drafts in advance and get them from the trade. But with competition getting hot, things have been different. Now whether this trade scheme is a short-term panic reaction or a deliberate strategic move will have to be seen." Counters Sunderrajan: "We do whatever the market needs. We look at the economic scenario and competitive factors and then take a decision."

And competition is going to increase, what with Effermint, Pepsodent and Promise making second tries and Close-Up in full flow. Says Tomco's Bharda: "We've unearthed what's wrong with Effermint and we may even go in for a new pack, backing the toothpaste with very strong ads. We have to make it work this time." And that's exactly what both Levers' Pepsodent and BHPL's Promise are looking to do. Promise has taken the "freshness" route and, according to BHPL vice-president (marketing & sales) S.K. Palekar, Rs 2 crore is being pumped in to make sure it clicks. Pepsodent, meanwhile, has just hotfooted it to Maharashtra after being available in Andhra Pradesh for quite a while. And it is harping on a "germi-check" formula to checkmate Colgate. Considering Levers' super performance and hyperactivity in the toothpaste gel arena, Pepsodent too may end up denting Colgate's marketshares. Says Sunderrajan: "We're watching Pepsodent and we'll take appropriate action."

As it has been doing for Colgate Blue Gel. According to ORG figures for the quarter ended March 1992, the brand had picked up a close to 6% marketshare compared to Close-Up's 16%. And it's to Colgate's credit that it has achieved this within a year of taking the brand national and that too without the advantage of variants (red, blue and green) that Close-Up has.

A criticism that has been levelled at Colgate is that it has been slow to market gel in sachets, a packaging format that has helped brand volumes rise. While Close-Up took this tack a year-and-a-half ago, Colgate is still testing the waters. Says Ghosh: "Pack-

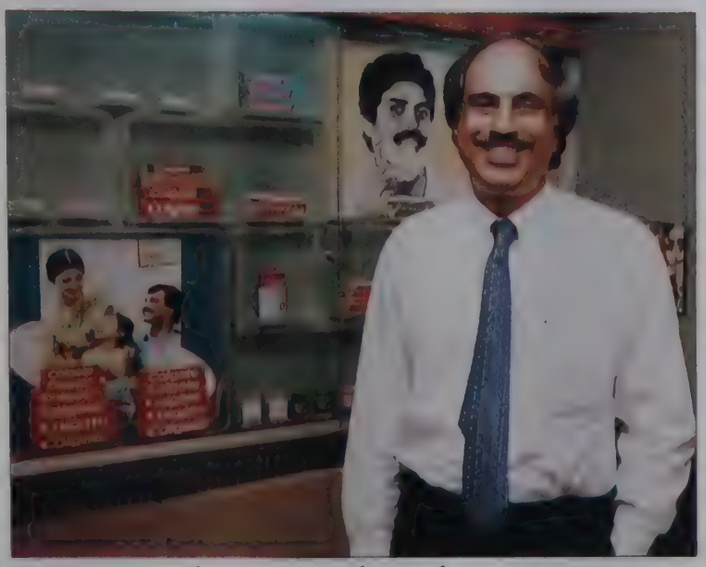
aging gels in sachets requires sophisticated technology. We are trying to figure out how to retain the flavour. There are difficulties of storage." Adds Sunderrajan: "If someone else compromises on quality, it's their problem. Our goal is to offer packaging which is up to the mark."

An oral-care product that has, however, not been up to the mark at least as far as performance is concerned (it has garnered just 0.2% of the toothpaste market) is tartar control toothpaste. Says Ghosh: "Agreed, it is a small brand. Today we are trying to get it to all who know about tartar and advertising it in focused media. It is meant for people serious about teeth and it is to be used after a cleaning visit to the dentist. We can't do everything with each brand, but there is commercial justification for it."

Critics say that Colgate has one major problem: it has far too many brands, some which really shouldn't be there at all referring specifically to its tartar control toothpaste. They point out that had the company diverted its resources to another gel variant or blue gel instead of lauching a tartar control toothpaste, it would have been even better placed in that ballpark which is seen as the one with maximum potential today. Says Sunderrajan: "We wanted to offer consumers a leading edge technology brand and that's why we brought out our tartar control toothpaste."

New arena. The other products in its oral care category are just sailing along. While it is the No 2 in toothbrushes (behind Cibaca), it is the undisputed leader in the white toothpowder segment with a 90% marketshare. A newspaper reported that Colgate is trying to widen its consumer base by entering the red toothpowder arena where Indian homegrown brands hold sway. But Sunderrajan denies that the foray is on though it was being looked at at one point in time. Overall, Colgate's toothpowder performance has been solid and has received some plaudits. "They're doing extremely well here," acknowledges an appreciative Rajadhyax.

That's not a pat which can be given to the Colgate management as far as its body-care business is concerned. In December last year, N. Jayaraman, who was earlier on in charge of oral-care products, was deputed to head the body-care division, replacing R. Sunderrajan who took over Jayaraman's function. Market sources see in this shuffle an attempt to shake up, what they call, lethargy that was creeping into the company's marketing efforts. Sunderrajan, however, disagrees that this is true. "The move has nothing to do with bad performance or anything of that sort."



SUNDERHAJAN: *Shampoos need a push*

Nevertheless, there are some changes taking place in the body-care business. One range is being trashed: Palmolive shampoos (with the exception of the anti-dandruff variant). "Palmolive shampoos are not doing anything great," says Ghosh.

The same can be said about Colgate's Halo shampoos and Palmolive soap. While Halo has a 7.5% piece of the shampoo market, it is a distant fourth to Clinic, Sunsilk and Velvette. In fact, the last brand has come in from nowhere (aided by the sachet revolution) and sprinted past Halo in the past couple of years. And while Levers has gone ahead and relaunched Sunsilk, in keeping with the attractive packaging needs of the market, Halo is continuing with its staid, old self. A new and jazzy look is definitely called for to create some excitement around the brand. Says Sunderrajan: "We're aware that shampoos need a push and we're going to do that."

In Palmolive soap's case, the management attempted to revamp the brand, relaunching it as Palmolive Extra Care and taking the skin-typing route sometime back. A move which seemed to be succeeding until the company's marketers launched a 100 gm soap called Palmolive. Targeted at the popular segment, Palmolive also took the skin-typing route. The result: confusion in consumers' minds. Sunderrajan says that this really hasn't affected offtake too much. Says he: "Our volumes have nearly doubled with the launch of the popular brand." Ghosh, however, is candid enough to admit there is some confusion as regards the two brands. Says he: "We're examining how we can defuse the situation."

According to him, the company is leaving its options open and a relaunch of the two brands with sharper positioning could be one of those. "They could even be brandnamed separately. I'm not ruling that out...," adds Ghosh. "But I'm confident. Soap is a tough market; it requires more spending. However, there's no doubt that we want to be major players."

That'll take some time for Palmolive and Palmolive Extra Care have a piffling 2.5% of the Rs 1,555 crore soap market. And Levers and Godrej Soaps are not going to let marketshare slip through their fingers easily. Fortunately, Colgate's fatty acid-cum-soap manufacturing facility at Aurangabad is on stream, allowing it to respond quicker to market needs (earlier Godrej used to do the manufacturing for Colgate). On the obverse side is the pressure the company will be under to make its Rs 30 crore-plus investment in the facility begin its payoff. At current levels, that's not going to be easy.

In shaving (Palmolive shave cream and foam) and skin creams (Charmis), the company is still holding on to its position in the top 3, and that's indeed creditable. "These are not very big categories, but still...," says Ghosh.

"On the whole, our priorities will be in our main business: toothpaste," he adds. They had better be if it doesn't want be squeezed by the Lever juggernaut. As Rajadhyax says: "The toothpaste market requires money muscle and the only player apart from Colgate to have that is Levers. The real battle will be between these two."

So stay tuned in.

□ Anil Wanvari

COMING OUT OF THE SHADOWS

Living in the shadows of the multinationals and giant Indian consumer product companies can be a real drag. Ask Radheshyam Agarwal and Radheshyam Goenka, the joint promoters of the Emami and Himani group, and they'll definitely answer in the affirmative. A couple of decades ago, the Calcutta-based duo chucked up cushy jobs in the Birla group to manufacture a range of me-toos — antiseptic cream, talcum powder, vanishing cream and gold turmeric cream — that mimicked successful brands in the marketplace. But there was no compromise on the price front; they were kept on a par with those in the market.

The strategy has turned up a fair deal of success. Today, the Himani and Emami brands bring in nearly Rs 35 crore in sales. But both Agarwal and Goenka are not sated. Fed up of being makers of me-toos, the duo has gone in for a frenzy of launches, relaunches and repositioning exercises in a bid to make their products stand out from the rest of the pack. And, of course, there's been some glitzy advertising to prop up the brands in the marketplace. Says Agarwal, explaining the group's basic marketing principles: "One has to convince the otherwise illiterate dealer that my product is better than their's (the majors'); however high sounding marketing theories may actually be, unless amenable to this they are useless."

Take a look at what's been happening:

■ The Himani and Emami brands are being tomtommed as products having a natural (read ayurvedic) base. For a while now, Emami Naturally Fair Cream has been promising 'fairness guaranteed by nature;' Emami Skin Treatment Lotion (Winter) has been positioned as an ayurvedic brand as has the shaving cream. More recently, Emami cold cream was repositioned as Emami Oil of Almond cold cream, highlighting 'almond' which earlier figured in small type on the pack.

■ Emami and Himani are going the whole hog on bog offers. Last November, the duo relaunched Himani Glycerine soap, adding the 'Plus' tag to it. The change was not just cosmetic; the moisturiser content in the soap was increased to allow it to compete with Levers' Pears on a war-footing. And months of test-marketing in Visakhapatnam preceded the launch. The bog offer: a 20 ml Emami Skin Treatment Lotion (Winter) costing Rs 9 was given away on every purchase of two cakes priced at Rs 11.25 each. Says group product manager Ranjan Purakyastha: "Since our goods are priced on a par with maybe more acclaimed brands there is always a conflict in consumer perception of pricing versus perceived value; but then we offer more value for money."



GOENKA (L) & AGARWAL: *No me-toos*

The upshot of the scheme: buyers queued up as they felt they were getting more per paisa spent and the lotion generated consumer trials. Admittedly, Lakme with a 55.9% marketshare and Ponds with 16.4% are streets ahead of Emami (4.1%) in the Rs 8 crore market but, in the coming winter of 1992-93, this tack, claims the company, is expected to change the statistics.

For the summer of 1992, a similar strategy is being tried with Emami Naturally Fair Cream (Rs 30.80 for 50 gm) with which a Himani Glycerine Plus soap tablet is being given free.

■ Efforts are being made to move some products away from the mainstream and carve out niches for them. Emami Vanishing Cream is now being pushed as an anti-wrinkle conditioner; Emami Mentho Plus inhaler-cum-liquid balm, earlier positioned against Vicks, has been relaunched (the innovation here is that the top half of the container functions as the inhaler while the bottom half holds the liquid pain balm) and a summer skin treatment lotion, which was test-marketed in Calcutta last year, is to be officially flagged off this year, skirting the rest of the competition.

■ New product introductions — a memory booster and a chawanprash — are being contemplated upon while existing ones — Himani Lal Dant Powder, Himani Navratan Oil etc — targeted at the rural consumer are being spruced up.

How these efforts fare only time will tell for, until now, the group's marketshare track record hasn't been anything to write home about (it doesn't command huge shares in most of the categories in which it has a presence). The exceptions are: Boroplus Antiseptic Cream where it has a 30.9% share vis-a-vis leader Boroline's 42.1% and Emami Vanishing Cream (28%) compared to Pond's 36.9% and Lakme's 34.9%.

The group has also had a fair number of disasters. Among them: It's Me, a shampoo, which bombed due to faulty packaging and better advertising by competitors (a relaunch is planned); Green Apple, which got chewed in the marketplace as a green glycerine soap didn't wash well with consumers and Top Shot liquid detergent, which proved to be wide off the mark.

But Agarwal and Goenka are unfazed. They just shrug off their failures and are upbeat. Says Goenka: "We have a great future." Now what's left to be seen is whether consumers think the same.

□ D.N. Mukerjea

ADDING PEP TO SALES?

The logistics of any promotional scheme have to be worked out very carefully if the scheme is not to backfire on a company. The latest case in point concerns Peppy, the snack food manufactured by S.M. Foods, a division of S.M. Dyechem.

The scheme (which incidentally is not supported by any media or print ads) is being pushed through a sticker on each Peppy packet which says that the buyer is entitled to a free sketch pen if he purchases a pack of potato chips along with one of tomato discs. The idea behind the scheme obviously is to help offtake of Peppy potato chips, which hit shopshelves in the first week of April.



However, a number of small shops and retail outlets do not have stocks of both products, and so the question of handing over a pen doesn't even arise. Says S.M. Dyechem marketing manager Subash Ramachandran: "No doubt there is a certain amount of confusion. For instance, a shopkeeper might not want to refuse a sketch pen to a child who has bought two packets of Peppy tomato discs, for instance. These sort of problems are part and parcel of any promotional scheme. Pilferage is another — some outlets may sell the pen separately."



This is not the first time the company is trying to push Peppy potato chips. The product was first launched last year but was withdrawn due to "technical reasons."

The chips disaster is not the only one S.M. Foods has had in the past. A couple of years ago, it launched a snackfood called Piknik. But it soon discovered that selling snackfoods was no picnic and the brand was withdrawn. However, six-eight months back, Piknik hit shops again.

Though basically a western region brand (Bombay, Bangalore, Hyderabad, Goa etc), Ramachandran claims Peppy is doing quite well with "around 50% of the Bombay market, which is 25-30 tonnes per month and growing at around 10% annually." And snags notwithstanding, Ramachandran is keen to take Peppy national. By June, it will be available in Delhi and other northern cities. Will it add pep to the markets there?

A HANDY GUIDE

Want to advertise a product? Don't know where to place your ad? Well, help's on hand for you.

Mediaware Reckoner, a comprehensive media handbook comprising relevant information relating to more than 950 publications, Doordarshan and All India Radio, has recently been published by RND Systems, a Bombay-based firm specialising in software and databases for the advertising and publishing world.

Says RND Systems Consultant B. Das: "Our media reckoner will provide up-to-date and accurate information on advertising rates, circulation figures etc of various publications." The publications, he explains, have been categorised according to their language, format, periodicity and basic profiles to make it handy for users.

The reckoner, around 300 pages thick, will be published twice a year and is priced at Rs 750 per copy. At present it will be available only through the direct mailing route. Any takers?

ZEN & THE BOX OFFICE

Bharat Dabholkar's breakaway ad agency Zen Communications is developing box office ambitions. No, Zen is not angling for the big screen; it is eyeing the idiot box rather closely. It is making a foray into sponsored television serials. Zen Box Office (ZBO), a new division, has been especially set up for this purpose. Says director T.N. Ravindran: "It is the business of tomorrow." While the reins of ZBO will be in Dabholkar's, Alaka Bhosle's and Ravindran's (the three promoters of Zen) hands, it will be a separate cell with a separate marketing staff.

A 39-episode Rs 10 crore serial *Bible Ki Kahaniyan* has already been sold to an old Zen loyalist Transelektra Domestic Products. Claims Ravindran cheekily: "It is at least three times better than *Ramayan*, *Mahabharat* and *Chanakya*."

Meanwhile, ZBO will commence production of a Marathi serial by end-May with Dabholkar himself starring in it! Two more Hindi serials for the national network which ZBO will be financing are in the offing.

JAM HARVEST

Jam is going to be its bread and butter, or so it seems. Close on the heels of launching its Golden Orchard brand of jams and mango pulp for the domestic market,



Bombay-based small-timer Hindustan Foods Ltd (HFL) is now flagging off a range of "exotic designer" jams such as banana, papaya, guava, mango and pineapple mainly for the overseas palate. But HFL is not going to export on its own; it's left that to Atem Exports, a company it has floated.

Called India Harvest, these jams, claims Mahesh Walke, a partner in the company, do not contain any artificial colours or flavours. Says he: "We are trying to be a niche player with emphasis on natural taste. Nobody brings out the range of jams that we do." The company claims to have already despatched sample orders to Australia and England.

Apart from being exported, India Harvest will also be peddled locally. With door-to-door selling and plenty of point-of-purchase material support, Atem Exports is confident of tasting success. Its jams are priced at Rs 19.50 for a 200 gm bottle compared to Rs 25 for other similar-sized bottles available here. Next on Walke's list is the launch of high quality tea. "This gourmet tea will cater exclusively to corporate clients," says he.

For the present, however, Walke will have his hands more than full selling India Harvest both locally and globally. If he succeeds, where many a player has failed, he's bound to reap a rich harvest.

'MAA'RCHING ON

MAA Communications is marching on. The Banagalore-based agency headed by Bunty Peerbhoy has opened a branch in Kochi, Kerala. To be led by Joe Thaliath, the branch will, according to Peerbhoy, offer the whole range of integrated services available with MAA. This includes: advertising, direct marketing, public relations, financial advertising, video production, educational software, retail advertising, merchandising and marketing services and specialised print jobs.

Says Peerbhoy: "We have a few large clients in Kerala and there are others in the pipeline. The setting up of a branch will help us serve these clients better and explore the largely untapped potential there." According to him, the Kochi branch will help MAA complete its dominance in the south. "Our branches in Bangalore, Coimbatore, Hyderabad and Madras are among the largest in their areas of operation," he adds.

OLYMPIAN DRIVE

Trikaya Grey grabbed national attention with its imaginative campaign for Dunlop Spectra-wide tyres. Now it's innovation time for another Dunlop brand — Olympus nylon car tyre.

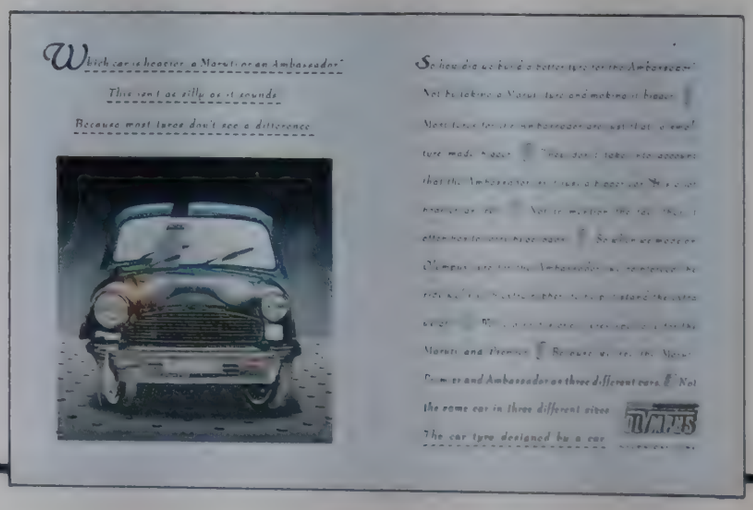
"The car tyre designed by a car" goes the slugline in the Olympus ad. Says an agency spokesman: "Today most tyre manufacturers are advertising their radial tyres; we felt that there was a vacuum in the nylon tyre segment and therefore the Olympus campaign." This, in other words, means that the tyre was available all along but now is the time to make it a bit more visible. And why not? The market Olympus is gunning for is essentially the replacement one, estimated by Trikaya Grey at 1.50 lakh tyres a month, nationwide. Of this, due to the Rs 300-500 price differential between radial and nylon tyres, the numbers for nylon tyres are much higher at 1.05 lakh per month compared to radials at 45,000 tyres a month.

The other players in the game are Ceat with C-800 and MRF with Legend. But in a bid to be different from the competitors' advertising, the focus is more on product attributes in Olympus ads rather than lifestyle. This is how the copy goes: 'Olympus tyre for Premier... wider than any other Premier tyre' or 'Olympus tyre for the Ambassador... we reinforced the side walls with extra rubber, to help it stand the extra weight' or 'Olympus tyre for the Maruti... designed to handle both steering and traction at the same time.'

The ad copy thus highlights how the Dunlop Olympus is designed with each car specification in mind. All that remains to be seen is how carowners respond to this drive.

SHARING THE LIMELIGHT

Bombay has always been the hub of Indian advertising. But, if the recently-concluded elections at the Delhi Advertising Club (DAC) are any indication, the capital's ad fraternity is gearing up to share the



SOFT-DRINK SCUFFLES

The scuffles in the aerated soft-drink market are gaining in intensity. And under the arclights are Parle and Pepsi. With the latter's one litre gambit in Bombay becoming a superhit, now it's the turn of Ramesh Chauhan's Parle Exports to do its bit. On two fronts: Thums Up and Limca.

Thums Up has re-started the smear campaign it began last year (remember: 'Is this a cola or a rasgolla'). Here's a sampling of two Thums Up strikes back ads: "Mom, who put this one litre cough syrup in our fridge?" and "Who put the wrong choice in our fridge, baby?" The response to both of them: "Sorry, dear! I'll get you a Maha Double instead." The baseline for the two ads: "Maha Double. Not too big, never flat."



While the campaign may make some people chuckle, it has got the Pepsi marketers' goose. Says Voltas Foods & Beverages (Pepsi's Bombay franchisee) director Tarun Pasricha: "Parle is panicking. They've been astounded by the phenomenal success of the one litre bottle."

From Thums Up, let's move to Limca. Its 500 ml avatar strolled into Bombay in early-May. Its price in the metro: Rs 7. In Delhi, where it made its debut earlier this year, the lemon drink is being hawked at Rs 6. Says Parle general manager (sales & marketing) David Jacob: "Limca has been around. We're giving the consumer another right-sized package, besides providing him with a price advantage. It's an option for in-home consumption." According to him, there's no competition in Bombay for Limca as its closest cloudy lemon drink rival Duke's 'ka dada' lemonade is being outsold by it in a 1:4 ratio in the city. "As regards the price differential between Delhi and Bombay, each city has its own type of consumers and we have to market to them accordingly," he adds.



limelight. For the first time in 25 years, the club's management committee will comprise of professionals from some of the high-profile agencies and companies in Delhi. "Earlier the club was in the hands of small-timers who used it for lunches, dinners and the occasional tea meetings," says a member.

The newly-elected management committee is a mix of advertising and media professionals. D.K. Bose of Hindustan Thompson Associates (HTA), Delhi, has bagged the president's post while Akshay Shroff of Ranchi Express is the new secretary. This is not all. Expo Machinery (the maker of Kelvinator refrigerators) chief marketing manager R.K. Caprihan and V.K. Chopra of *Bombay Samachar* will be the new vice-presidents. Ranjana Singh of Contract Advertising and Man Mohan Gupta of *Dainik Jagran* will be the joint secretary and treasurer respectively.

"As against 75-80 votes cast in the earlier elections, 227 valid votes were cast this year. It is the 120-plus votes that turned the tables," says Caprihan. However, four seats will be reserved for the smaller agencies to give them a fair representation.

A fresh action plan covering all aspects such as enlarging membership, identifying a range of activities, a newsletter and a long-range plan is being drawn up. Quizzes, awards, seminars and workshops are in the offing. "Expectations are high and the activities will lead to their fulfilment," says D.K. Bose.

SAFFOLA RUSH

It was a mad rush between four agencies to grab Marico's Saffola account, long held by Frank Simoes Advertising. Well, Contract, Speer and Folklore Advertising ad pros couldn't even get their fingers on it and it fell right into Ambience Advertising and its chief Ashok Kurien's lap! For Ambience, Saffola means around Rs 60 lakh in additional billing.

Says Marico vice-president (marketing) Raj Aggarwal: "Though billing-wise it is small, Saffola is our most prestigious brand. We had production constraints and Saffola was in short supply due to poor availability of the basic ingredient — safflower seed. However, in the next eight months things are expected to improve. We, therefore, have to put in a lot of work almost immediately to expand the market."

Along with Saffola, Ambience has bagged the advertising business for "a couple of new Marico brands" which were also with Frank Simoes. Among them is the fabric softener Fluffy which has, after several delays, been recently test-launched in Pune. Says Aggarwal: "It may take time to go national. We first want to learn and study the market very carefully, its size and response to the product."

IDENTICAL

Zuari Agro Chemicals Ltd, promoted by the House of Birlas and the USX Corporation; commissioned in 1973.

Capitalised on planned advantages : An ideal location; captive power and assured water resources; and the best technology of the time.

Gained leadership through a series of firsts : A single-tier distribution system, Farm Extension Programmes, and more.

Performance that includes Jai Kisaan fertiliser, the leading brand in its markets.

Performance that includes the award for environment protection (1989-90), and 5 consecutive awards for overall performance (1986-91), given by the Fertiliser Association of India; a result of well-designed systems and procedures.

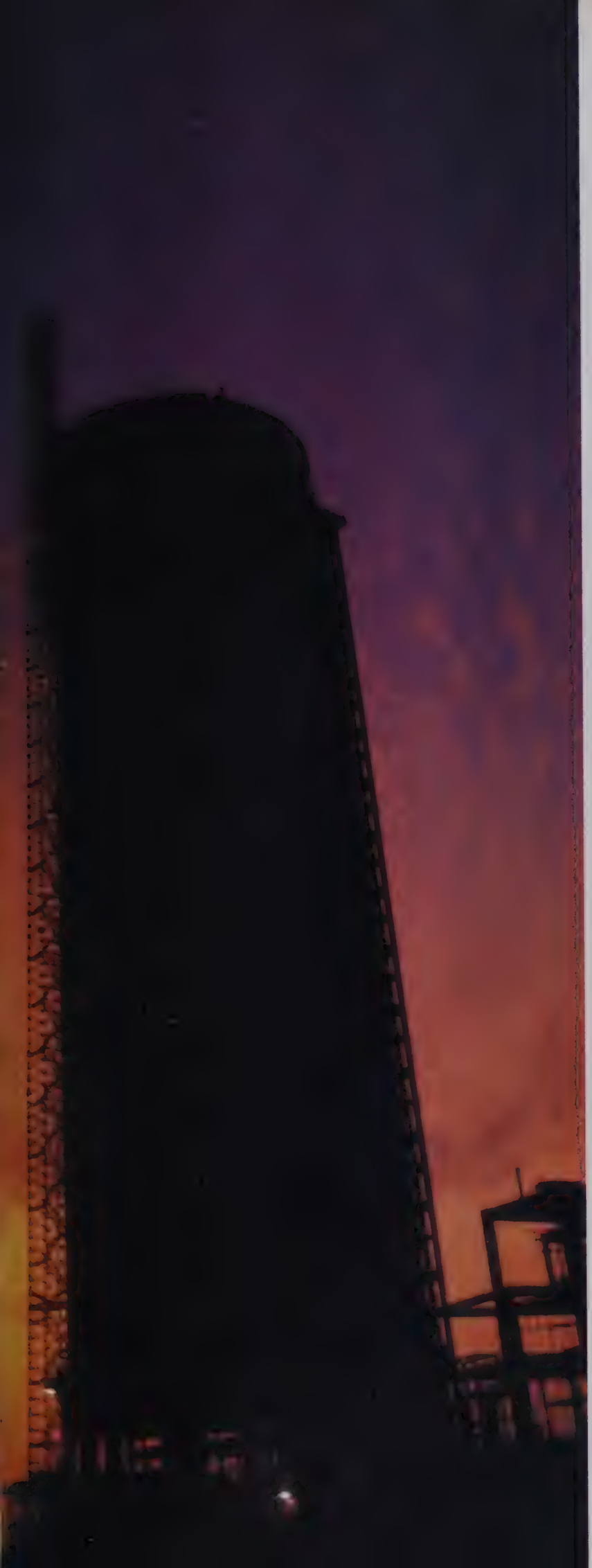
And now, setting up another fertiliser plant!

Creating a unique identity in the fertiliser industry.

ZUARI AGRO CHEMICALS LIMITED

DEEP ROOTS. HIGH GROWTH





T W I N

Chambal Fertilisers & Chemicals Ltd, promoted by Zuari Agro Chemicals Ltd; to be commissioned in mid 1993.

Capitalising on planned advantages : A captive power plant and guaranteed water supply; located next to the gas source (HBJ pipeline); and close to its markets.

Growing fast with the best proven technology, and proven systems and procedures.

Gaining leadership through single-tier distribution systems, Farm Extension Programmes, and more.

Performance that has helped UTTAM UREA give the farmer two rich harvests, and earn his trust enough to sell 50 lakh bags, in the very first year of marketing.

Chambal Fertilisers & Chemicals Limited. Creating an identity equalled only by its promoter - Zuari Agro Chemicals Ltd.

And all set to repeat history.

UNTAS(DELHI)CHM/2738/51

Chambal Fertilisers & Chemicals Limited

HISTORY REPEATS ITSELF

"THE FOCUS WAS ON TECHNOLOGY"

In a tropical country like India, fans have many fans. The industry has grown from 64.22 lakh pieces in 1989-90 (organised sector production) to 77.84 lakh in 1991-92. There are some seven companies making an entire range of fans, each with its own marketing approach. In this billowy battle, Usha is supremo with production at 16 lakh in 1991-92. Coming a close third in throughput in the domestic market and with production of some 12.72 lakh pieces in 1991-92 is Polar Fans.



What has helped the company put up such a breezy performance is a character called the Polar Fan Scientist (PFS), who has been appearing in ads created by Lintas, Calcutta since April 1990. The concept of a scientist promoting a product has been further emphasised with the choice of fan brandnames such as Alpha white, Beta brown etc and Polar science scholarships and science quizzes which the company organises.

BusinessWorld's D.N. Mukerjea spoke to Polar president Hardeep Singh and Lintas account director Jayshree M. Sundar on the PFS.

■ On the advertising route before the advent of the PFS.

Hardeep Singh (HS): When Polar started making fans, some 16 years back, the range was restricted to ceiling fans. The emphasis was on a technologically-sound product and hence the ad strategy harped on product attributes — 'double ball-bearing' and 'seven-year guarantee' with sluglines such as 'no promises, just proof' or 'the service engineers for Polar Fans are keen, active go-getters. Pity they don't have too much to do.'



■ On the need for change.

HS: Even as this strategy helped us grow in ceiling fans we had, by 1989, extended our product range to wall, table and pedestal fans and the like. This presented us with two problems vis-a-vis our earlier ad route. First, we were not offering a seven-year guarantee but a two-year one for non-ceiling fans. Second, we didn't use double ball-bearings, opting rather for single ball-bearings.

During this transitional phase, we brainstormed on a number of routes and were at one time actually toying with the idea of using separate campaigns for each fan. This route was attractive as we could have highlighted individual product attributes and also focused target audiences — table fans (rural), ceiling fans (urban and multiple purchase) and pedestal fans (for predominantly commercial use).



SINGH (ABOVE) & SUNDAR WITH THE AD: *A natural choice*

Jayshree Sundar (JS): By now, Polar had grown in range and the need was felt to have a position which was all-encompassing. While other brands were positioned on breeze/style/glamour, we felt that Polar had to have a unique position that made it stand apart from the competitive ad clutter. Thus was born the crystallised position of Polar, the technologically superior fan which could encapsulate future directions, namely, modern, innovative and scientifically-developed.

■ On the actual genesis of the scientist.

HS: This was very interesting. The ball-bearing and guarantee route had become firmly ingrained in the consumers' mind. It had become a very big idea and we needed another similarly big idea to kill it. We needed a brand property like the Liril girl or the MRF muscle man who would totally hog viewers' attention. The focus was on technology with which our company was obsessed; we believed in it and no other competitor used it. The scientist was hence a natural choice.

■ On the attributes of the scientist.

JS: The scientist stands for technology and dedication to the art and science of fan technology, that is, producing superior fans which are long-lasting and powerful. However, he is not a man with only technical knowledge; he is also capable of providing aesthetic appeal to his work and a team player, respected by his colleagues.

■ On the effect the PFS had.

HS: The profile of the Polar buyer changed dramatically. For example, in the pre-scientist days, around 1990, the Polar consumer profile in Bombay was essentially blue-collar workers (50%) with an average monthly income of Rs 750. Following the new campaign, their percentage was reduced to 20%. Also pre-PFS, 93% of Polar's sales came from ceiling fans, 7% from others. Post-PFS, this had changed to 82% from ceiling fans and 18% from others. Of course, this meant that the percentage composition had changed, while in absolute terms both had grown. Incidentally, this was all a bonus as the scientist was brought not for sales growth but for upping and changing the company's image.

JS: A year after the campaign broke, Polar had achieved the No 3 position in throughput capacity in the domestic market where far older players dominated. In a depressed year, Polar's growth was much faster than the industry average.

DOORDARSHAN: REVIEWING 1991

With Star TV, BBC and CNN beaming their programmes into Indian homes, idiot-box viewing is no longer the same. Urban families today stay glued to their sets late into the night to check up the latest on the US primaries, the Afghan revolution, Andre Agassi and M.C. Hammer. Doordarshan (DD) is just another viewing option for them; not the main event.

But this doesn't mean DD's monopoly on the advertising rupee is going to evaporate overnight. It will take the newcomers time and effort to increase their viewership for they are sorely at a disadvantage compared to grand old DD.

They lack the fancy infrastructure that it has painstakingly built up over the years, allowing it to reach areas so remote that even their names are unknown to the common man in the city. But Star TV, BBC, CNN and other homegrown networks-to-be are surely not going to sit back on their haunches; their endeavours will be to ensure that their dishes reach even the smallest of towns.

However, until that takes place, it will be DD which will be making merry as far as ad revenue is concerned. As it has been doing all these years. As it did in 1991. The accompanying tables shore this up.



GROWING USAGE

Year	TV expenditure Rs crore	Growth (%)
1985	60	114
1986	100	67
1987	140	40
1988	181	29
1989	234	29
1990	278	19
1991	346	24

Note: Growth in 1991 can be attributed more to inflation rather than any new growth from increase in ad time. There were two rate hikes during the year: one in June 1991 (15-16%) and the other in November 1991 (3%).



BRANDS: THE BIG SPENDERS

Ranking	Brand	Amount spent (Rs crore)
1.	National Literacy Campaign	8.18
2.	Rin	6.03
3.	LIC	3.65
4.	Close-Up	3.25
5.	Nirma Bath	3.23
6.	Colgate Dental Cream	2.55
7.	Nescafe	2.38
8.	Nirma Toilet Soap	2.26
9.	Bajaj Scooters	2.07
10	International Lux	1.93

Note: 1,998 brands advertised on TV during the year.

TOP-GUN ADVERTISERS

Ranking	Advertiser	(Rs crore)
1.	Hindustan Lever	29.0
2.	Procte r & Gamble	9.7
3.	Colgate Palmolive	8.8
4.	Nestle	7.7
5.	Brooke Bond	7.4
6.	Nirma Chemical Works	6.9
7.	Godrej Soaps	5.3
8.	SKBB	4.7
9.	Pepsi Foods	4.5
10	Bajaj Auto	4.3

Note: Altogether 1,383 advertisers used the medium in 1991. Some 73 of these splurged Rs 1 crore-plus each, accounting for nearly two-thirds of total advertising revenue.



STATIONWISE ADVERTISING (No of spots)

Station	1990	1991
National network	13,121	12,987
Madras I	10,118	9,407
Madras II	1,160	2,951
Hyderabad	6,869	8,490
Calcutta	5,488	5,371
Thiruvananthapuram	5,350	5,991
Bombay I	5,170	5,565
Bombay II	1,162	2,609
Bangalore	4,930	6,569
Ahmedabad	3,754	4,525
Delhi I	3,645	4,237
Delhi II	948	1,292

Note: While network advertising grew 17% in 1991, the metro channels showed a growth of around 120%, both in terms of expenditure and commercial time sold.



HOT CATEGORIES

Ranking	Category	Amount spent (Rs crore)
1.	Soaps	24.22
2.	Toothpaste	13.54
3.	Teas	12.25
4.	Detergent powder	12.09
5.	Textile	10.57
6.	Two-wheelers	10.07
7.	Government	9.12
8.	Television	7.93
9.	Detergent cakes	7.71
10	Shampoos	6.40

Source: HTA Media Update; Super Services Monitoring

There's a lot more to NIIT than computer education.

LOGICAL PROGRESSION

NIIT means training, right? Yes... and no. Sure, it is still the country's top computer education outfit. But the Delhi-based company has greatly expanded its business portfolio over the past five years.

In addition to teaching college grads and corporate pros how to use computers, NIIT now develops and markets software products, executes customised software projects, provides sales training and, through a subsidiary, sells cable TV hardware. And while the layman may continue to associate the company's name with computer courses, word of NIIT's other abilities is beginning to get around where it matters. Says managing director Rajendra Pawar: "In corporate circles, we're being recognised as providers of software products and solutions."

To a great extent, the company's expansion has been a product of logical progression. After training individuals in the first few years of its existence, it was only natural for NIIT to design courses for companies. When it had built strong relationships with corporate clients, the next step was to use those contacts to sell software products and services. In due course, NIIT was able to develop sufficient expertise to offer consultancy as well.

Diversifications. The National Institute of Sales (NIS), set up last year, marked the company's first real diversification, but even that was related — NIS' computer-based training (CBT) courses were born out of NIIT's expertise in the technology. Most of the packages have been designed by the company's R&D lab.

That leaves IV Communications (IVC), launched earlier this year. Cable TV hardware may not be related to computer training or software development, but the new outfit does intend to produce its own programmes some years down the line and NIIT could conceivably use the medium to take education to subscribers' homes. In any case, IVC is an independent corporate entity and has ambitions of its own. Pawar says he has very little to do with the running of the company; it's entirely former Uptron chief Kul Bhushan's show.

PAWAR (L) & THADANI: *Big plans*



In line with all the expansion that had taken place thus far, Pawar and chief executive Vijay Thadani have restructured the company's internal organisation into six business groups (see box), each focusing on a specific area. Over the next year, the duo will push each group into its own logical next step. The nitty-gritty of their plans are still being worked out, but the broad outlines are clear.

■ In computer training, now a dog-eat-dog market, NIIT's brains trust needs to do some blue-sky thinking to keep the company ahead of the competition. Pawar and Thadani appear to have done some of that already. Sometime later this year, NIIT will announce plans to "institutionalise" its education business by upgrading its courses and structuring them into a university-like system of exams and titles. The architect of this plan is C.R. Mitra, formerly director of the Birla Institute of Technology and Science (Bits), Pilani.



RAJENDRAN: *Attracting top talent*

■ NIIT's corporate services arm, headed by Arvind Thakur, is building (and buying, where necessary) expertise in a wide range of areas. The objective: to lead the company into the lucrative systems integration market. Says Thakur: "This will be one of NIIT's most important businesses in the years to come."

Thakur's team will continue to develop software solutions in the areas of executive information systems (EIS), management information systems (MIS) and transaction processing. In addition to hawking internationally-renowned software packages on an agency basis, it will also market products developed by smaller Indian firms. For a start, it has started selling IMAS, an integrated manufacturing system developed by Madras-based Mascon.

■ The company's south-east Asia op-

erations have scored a number of successes in Thailand, Malaysia and Indonesia in recent months. NIIT intends to penetrate deeper into the Pacific Rim countries, setting up institutes and/or exporting "courseware." Says Thadani: "There is a great demand for computer training in some of the Asean countries. We have the expertise and experience to do well in this market."

■ The export thrust will not be limited to south-east Asia or to education. Pawar plans to personally lead a major push into the US and Canadian markets with software products and services. Two products developed in-house, Prowin (a project management package developed under Windows) and Migrator (a package that facilitates transfer of data from Oracle to Sybase) have received encouraging response. Marketing products in developed countries will probably be too expensive for NIIT to handle alone, so suitable partners/retailers will have to be found.

There's also plenty of potential for CBT products in the US and Europe. Pawar says he is close to concluding a deal with one of the world's leading infotech corporations (he won't say which) for some of NIIT's training packages.

■ NIS' first year has yielded NIIT around Rs 60 lakh in revenues. Not really a flying start, but not disappointing either. The institute, headed by Dhruva Nath, currently has two 'schools,' one each in Delhi and Madras. The next targets: Bombay, Calcutta and Bangalore. Low-profile thus far, NIS will soon launch a nationwide ad campaign.

■ The company's R&D lab will provide the fuel for the growth of its other divisions. The "brains factory" at Kalkaji, Delhi, is working on a number of new products — all of which are kept under wraps.

Since all of NIIT's businesses are manpower-intensive, Pawar will probably have to embark on a major recruitment drive to keep his plans moving. Director (HRD) P. Rajendran is confident he can find the men needed. "We may not be a multinational corporation or a foreign bank, but we've been attracting a lot of top talent in recent years." Proof: the company already has 116 MBAs and 106 engineers (most of whom are from the IIMs and IITs, respectively) on its rolls. This year's batch of newcomers is expected to include nearly 40 MBAs and a few more engineers. Clearly, a lot of bright minds believe NIIT is the place to be in.

Not everybody agrees. Over the last couple of years infotech industry watchers have warned that NIIT may be spreading itself too thin by its forays into non-education areas. The company has been compared to Bombay's Datamatics group, which has ventured into a number of fields but hasn't been able to show any spectacular results for all its efforts. Says the chief executive of a Delhi-based infotech company: "When you try too many things at once, you tend to erode your core competency; if it dilutes its focus NIIT may find itself losing out in the training business."

Pawar has obviously heard that one before. His response is instantaneous. "In our business, all the 'manufacturing' happens up here," he says, tapping the side of his head. "We've got a whole bunch of people who have plenty of 'spare production capacity' left in them; we can do a lot more."

□ Aparisim Ghosh

NEITHER TURTLE NOR HARE

NIIT isn't the infotech industry's most spectacular achiever, but its revenues have grown at a steady trot.



Source: The company

THE NIIT FAMILY

NIIT's business groups aren't as yet independent profit centres, but they enjoy a great degree of autonomy. Their areas of operation are clearly defined.

■ Education Services Group: handles the company's core business, through more than 75 'schools' across the country.

■ Corporate Services Group: provides software consultancy and development services, sells products (Sybase, Level % Object, Focus, Harvard Graphic, Harvard Project Manager, Excellerator, etc), runs infotech training courses for companies and operates an automated learning centre in Bombay.

■ R&D Group: develops software products and computer-based training packages in addition to aiding other groups.

■ National Institute of Sales: runs computer-based training courses on sales.

■ South-East Asia Group: conducts computer training courses in countries like Indonesia, Malaysia, Singapore and Thailand — usually in collaboration with private/government institutes in those countries.

■ Exports Services Group: exports software products (developed by the R&D group) and services.

"WE HAVE TO BE COMPETITIVE"



The government's decision to allow import, without reference to the department of electronics (DoE), of any fully-assembled computer system worth more than Rs 6 lakh (cif) has put a scare into the industry. Many manufacturers see this as a dangerous step (see Comment) that could put them out of business. Some fear that the Rs 6 lakh cut-off point may be temporary, that the government may reduce it to include less expensive systems. The Manufacturers' Association for Information Technology (Mait) is pressing New Delhi to keep duties on components significantly lower than those on assembled systems so that it continues to make sense to manufacture computers in India. One way or the other, the government's stand should become clear within the next few weeks. BusinessWorld's *Aparisim Ghosh asked DoE secretary N. Vittal for his comments. The straight-talking bureaucrat also expressed his views on the avenues Indian companies should pursue to stay healthy. Excerpts:*

■ On the implications of the Exim policy on the infotech industry.

The government has been far more generous than we expected. Anybody who says the industry isn't protected clearly hasn't read the policy carefully. The Rs 6 lakh cut-off point, I think, is quite reasonable. For many years, the infotech industry in this country was protected against international competition. That has to change now. If people aren't ready to compete, why are they in business at all? I believe it is a businessman's *swadharma* to be competitive.

And, mind you, it isn't as if the scenario has changed drastically — from total protection to totally open markets — overnight. The industry is being given time...an environment is being created in which they can be competitive. There's been a lot of talk about the "uncaging of the Indian tiger." Now's the time for the Indian businessman to prove that he is really a tiger — not some circus animal that, when freed, looks for protection as a substitute for his cage.

■ On whether Indian infotech companies can compete against multinational giants.

I believe they can, provided they are allowed to play on a level ground. We don't want all the investment that has gone into the Indian infotech industry to go waste. I'm focusing all my attention on levelling the field. We're trying to bring costs and prices down by attacking excise and customs duties.

■ On strategies companies should adopt to remain in the business.

Look, necessity is the mother of innovation. Some of our television companies have shown us that it is possible to innovate and thrive. I'm confident of the vigour of the infotech industry. At the DoE, we're trying to see how new markets can be created... how to increase the population of computers. I believe one good way to do this is to encourage the use of Indian language software. We should also try to put computers in all schools. We're trying to provide the industry with options... for instance, we've said that CMC will no longer hold monopoly over the maintenance of large imported systems. A number of other companies could consider getting into the maintenance business.

There's plenty of scope for exports. Mait itself says the hardware industry is capable of exporting to the extent of Rs 1,000 crore. Some companies can become original equipment manufacture (OEM) suppliers to international corporations. In just four years, China has built up its capabilities to be able to manufacture hardware for IBM. I understand China's sales to IBM are worth $30 million a year. Why can't our companies do the same?

■ On new steps taken to promote software exports.

By September, there will be satellite earthstations in Bangalore, Hyderabad, Noida and Gandhinagar. In these centres, software companies will have 64 Kb connectivity. We're now trying to see if it would be more economical to transmit data via a Russian satellite. In Bangalore and Calcutta, we've given the green signal to businessmen who want to import expensive hardware and rent them out to software developers. This will be a boon to small software companies that cannot afford to buy large systems.

■ On software export prospects.

We have had several positive signals. I think 150-200% growth is possible.

AN IMPORT INCENTIVE?

The much awaited import-export policy was announced on 1 April. In many ways the policy is a marked departure from the past. It is slimmer and easy to read and understand. Moreover it is for a period of five years; thereby giving a modicum of stability. The policy aims to give an impetus to the liberalisation policy embarked upon by the government.

I would like to confine my observations to its impact on the computer hardware market and industry. The policy has drastically pruned the restricted items list for imports. Computer systems below Rs 6 lakh cost insurance freight (cif) and populated printed circuit boards (PCBs) are the only items on the negative list. In effect it now allows imports of all superminis and above, as Rs 6 lakh cif roughly translates to Rs 15 lakh or so of street price. This generally protects all currently manufactured Indian designs and manufacturers of minis like DCM's Cosmos, Wipro's Land Mark etc, but allows imports of bigger systems. Computer systems above Rs 6 lakh cif can now be imported freely without any actual-user condition. The department of electronics (DoE) approval or the cumbersome procedures for import will no longer be required.

The revised rate of duty, at 146.23%, will allow domestic manufacturers some chance of competing. One had hoped that there would be some rationalisation of duty structure. Import of chips should have been allowed at low duties.

Computer systems for software export can be imported at a concessional rate of duty against a specific import licence. The customs duty chargeable against such imports will depend on the export obligations.

All kinds of computer peripherals are now allowed to be imported freely. Computer software imports are also freely allowed. Software can now be imported freely for stock and sale purposes. The duty applicable is 110%.

Computer spares can also be imported, with DoE certification. The drawback is that populated PCBs cannot be imported even as spares. In fact, PCBs have come heavily under the negative list.

A system of allowing a percentage of export earnings for import of negative list items should be introduced for computer exports. This would have a tremendous effect in improving local R&D turnaround time as well as make exports more attractive.

Import of capital goods has been liberalised. They are no longer on the negative list and even second-hand capital goods with a residual life of at least five years can now be imported.

The major flaw of the policy is that it will encourage imports against local manufacture. There is no denying the fact that in the current market environment we must be globally competitive to survive. I am a great believer in that.

The trouble is that the Indian playing field is not level. The dice is loaded towards imports. Apart from the traditional problem of limited volumes leading to higher costs, Indian manufacturers have to deal with all the local infrastructure problems — bad roads, lack of electricity, delays at every stage leading to high inventory costs and, above all, the high cost of money. One had hoped that the government would reduce the duties on components so that there would be incentive to manufacture. There should be a wide gap in duties on raw materials, components and assemblies on one hand and finished products on the other.



The other major drawback is that the new policy is not particularly export oriented. A blanket advance licence is a great step in the right direction; but with that there is an unjustified increase in value-added content.

One very laudable and innovative idea in the policy is the encouragement to quality. A special benefit in the shape of a licence which allows imports of items on the negative list will be available to those organisations which have achieved an ISO 9000 or equivalent recognition. Exports by these manufacturers will allow them access to these special rep-type licences.

Only 60% of the export realisation can be used for earning exchange at the market rate. This system may be suitable for most industries, but in case of computer exports, it increases the cost of production as normal value added is around 15-20%. A system which allows some percentage of foreign exchange earnings, say 40%, to be used for import of items on the negative list will not only help in offsetting this loss, but also cut down the development cycle as PCBs can then be imported for development work.

What we now need is a simplification of the customs rules and procedures so that incoming and outgoing material is not stuck. Although the import-export policy allows for re-import of exported material for repairs and re-export, the actual implementation is impossible. In case of computers the mother boards have to be re-imported for repairs. Since populated PCBs are on the negative list, it becomes impossible to clear these boards.

The government must aim to cut down the cycle time. The current rules go a long way towards this, but much more needs to be done.

□ Veer Sagar
The author is chief executive, DCM Data Products.

The major flaw of the policy is that it will encourage imports against local manufacture



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High Physical Quality of Life. Kerala is renowned for having India's highest Physical Quality of Life Index (PQLI). It is due to the most extensive and comprehensive healthcare and educational facilities that Kerala enjoys the highest life expectancy and the lowest death and infant mortality rates. The State is one of India's most advanced with stable peace and harmony at the societal level, thus providing the right environment for company executives, workers and their families.

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Deil's ready with a clutch of new products.

ONE FOR EVERYONE

Stand by now for a slew of new products from Digital Equipment India Ltd (Deil). Although conventional wisdom dictates that you don't launch products in a slump, the Bangalore-based outfit plans to bring out no fewer than seven new machines this year.

From the looks of it, there's one for everyone. At the top of the line will be the VAX 4500, a mainframe class machine that can support more than 200 users at a time. Then there's the VMS 3100 series, targeted at departmental or work-group applications. Also on the anvil are three new Unix (or Ultrix, as Digital calls it) machines, which will expand Deil's range of 'open systems' options. And finally, the company intends to move into a fast-growth segment it has long ignored — workstations — with two products.



■ **PRAMANIK:** *Building relationships*

When all the launches are done, Deil should boast a range of hardware options that rivals that of HCL Hewlett Packard and ICIM. The only missing element: personal computers.

But wait. Digital Equipment Corp, Deil's big brother in the US, recently launched a whole series of high-performance desktop machines. How long will it be before the Indian associate follows suit? Vice-president (sales & marketing) Bhasker Pramanik says Deil is "looking at the option."

Value addition. The expansion to Deil's hardware stable should work wonders for the company's reach and clout in the Indian market. But Pramanik is quick to point out that products, on their own, no longer make the cash machines ring. "What matters more is the value you add, in the form of services, to the machine," he says.

Deil is no stranger to the game; a third of its expected revenues for 1991-92 (around Rs 90 crore, up from Rs 63 crore in the previous year) will come from services. Pramanik's focus this year will be on the country's top 100 companies, private and public. Deil already does business with 35 of these (13 out of the top 20), and hopes to develop relationships with many more.

Pramanik's sales pitch is simple: "Over 70% of our sales comes in the form of repeat orders from existing customers — that should say something about the quality of products and services we offer." According to him, Deil's marketing strategy centres on 'accounts' rather than 'sales.' "We don't believe in selling a specific number of machines in a specific timeframe; we'd rather build long-term relationships with clients."

Desktops continue to dominate PCL's long-term ambitions.

COMMITTED TO THE PC

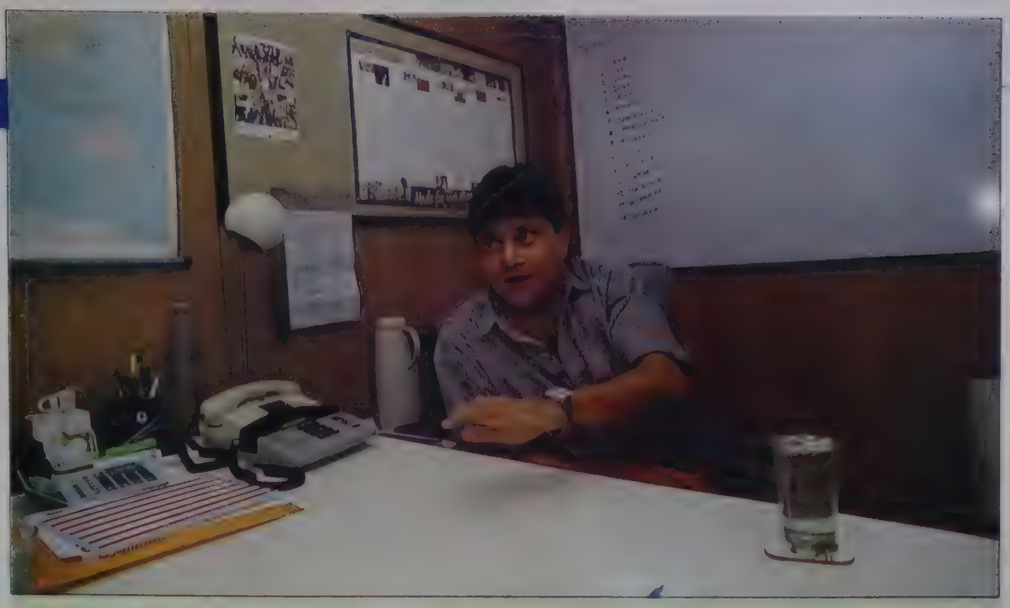
Bikram Dasgupta says he isn't yet sure what sort of revenues PCL will post in 1991-92. But he knows what the company needs. "We simply have to reach Rs 150 crore. It isn't so much a question of sales and marketing; it's a matter of generating resources necessary for our future plans."

You'll have to wait until June to find out whether PCL can get there. But Dasgupta is willing to talk about what he plans to do thereafter. The Delhi-based company will take a three-pronged approach at fiscal 1992-93.

- First, there's the personal computer (PC). Despite thinning margins on PCs, Dasgupta is committed to the desktop range. "We can continue to make money on PCs if we become more efficient and add value and services to our products," he says. He reckons that there's still a huge, ever-expanding market for PCs. And buyers are beginning to understand why quality comes at premium prices. "We're getting decent margins on top-end desktops like the 486-based machines... we can still make good money if we can sell more of these."
- Secondly, there's solutions. Over the past couple of years, PCL has been concentrating on selling 'computing environment' rather

than mere machines. There will be more of that in 1992-93. The company may add a box or two to its product range, but without the hype that has been characteristic of previous PCL launches. Says Dasgupta: "We're not going to make a big noise over products. If we bring in some machines and technologies that enable us to provide better, more comprehensive solutions, that's the way we'll market them — as components in a computing environment."

■ Lastly, there's exports (or 'international business,' as Dasgupta prefers to call it). He won't divulge any details as yet, but it is certain that PCL won't restrict itself to the software route. Dasgupta hints that the company is prospecting for contract manufacturing deals with foreign companies, particularly those keen on sourcing sub-assemblies from this part of the world.



■ **DASGUPTA:** *Looking at all options*

And will PCL do all this alone? Not necessarily. Says Dasgupta: "We're looking at all options. If it is necessary, we won't hesitate to bring in partners or form alliances. Then again, we may just decide to do it on our own."

There's a new bible for software entrepreneurs.

OBEROI'S COOKBOOK

S.S. Oberoi, the ever-smiling senior director (technical) in the department of electronics (DoE), has additional reason for cheer these days. The infotech community has been almost unanimous in its praise for his recent compilation of *Guidelines for Establishment of Software Business in India*.

It isn't exactly recommended reading for the summer holidays, but if you're planning to join the long queue of software entrepreneurs waiting to set up shop, this book is just what you'll need. And here's more good news: it's free, courtesy the DoE. Says Oberoi: "Although we (the DoE) have simplified things considerably in recent months, we felt young, inexperienced entrepreneurs could use these guidelines."

Sure. And some veterans too, from the looks of things. Virtually every major Indian business group (the Birlas, Tatas, Ambanis, Modis, Singhanias and Goenkas, to name but a few) has either made a foray into the software industry, or plans to, soon. But Oberoi is somewhat sceptical about their prospects: "In my experience, it is the new entrepreneurs who have the best chance of doing well in software; of the big business houses, only the Tatas have succeeded to any great extent."

While he is pretty optimistic about India's chances of emerging a major software exporting nation, Oberoi believes software houses are queering the pitch by squabbling among themselves. "Most of our companies waste their time fighting each other... stealing business from one another. That isn't the way to go about it. They should concentrate on competing with foreign companies."

■ **OBEROI:** *Thinking big*



Consortium approach. The best way to do that, in his opinion, is to adopt a consortium approach. This isn't a new idea; it has been mooted at various points in time, by various people, over the past few years. But, Oberoi admits, getting the companies to work together is no easy task. "They're very reluctant to unite. Most of them are scared that exposing their staff to other companies may lead to poaching."

In any case, a software consortium is unlikely to come about as long as the industry depends on manpower exports (the new euphemism for body-shopping) for the bulk of its foreign exchange earnings. "First let the companies start looking for important software projects; only then can we think of setting up a consortium," says Oberoi.

However unlikely that sounds right now, Oberoi continues to hope. "I have a dream; someday we will set up a large office in the US, a base for an Indian consortium that wants to do business in that country. I dream of a time when Indian companies will join hands to take on the world."

UNDERSTANDING WINDOWS

SUGATA MITRA



Corporate computer users often face a serious problem that can be summed up by the sentence, "what do I do next?" For new users this problem starts from the moment you switch on the computer.

Since its invention, the IBM PC (personal computer) has had the obscure symbol "C:>" on the screen while it waits for the user to tell it what to do. We call this symbol the "C prompt." Since it means nothing in particular to any user, it is often not clear what you should do next.

The "C prompt" is the sign of a venerable piece of software called the "Disk Operating System" or DOS in short. DOS has been around for almost as long as the PC itself. To use DOS you need to learn a set of commands that would allow you to navigate through the storage files of the PC, search for what you want, copy or delete things and so on. These commands are not easy or intuitive for a new user and often results in mistakes, frustration and sometimes disaster.



Software companies have tried for many years to find ways to make DOS easier to handle. More "user-friendly" as the jargon goes. It is only recently that success is in sight. The breakthrough is a computer program from the famous software company, Microsoft of the US. The program is called "Microsoft Windows" and is normally referred to as Windows. This program has been around in one form or the other for several years, but it is this year that its latest version, Windows 3.1 is finally expected to provide complete relief from DOS.

Windows sits on top of DOS. This means that instead of your having to type complicated commands in DOS, Windows will do it for you. When you switch on your computer, Windows would usually load and start automatically. You don't see the infamous "C prompt" anymore. Instead you would usually see two little pictures near the bottom of the screen marked "Main" and "Accessories." These little pictures are called "Icons" and you could have more than the two mentioned above depending on the way in which your version of windows is set up.

Windows is generally operated with a mouse. If you are not sure of what that means, do not worry. A mouse is not a rodent, at least not in the world of the PC. A mouse is a small roundish object connected to the computer with a thin wire that looks quite like a tail. You can slide the mouse around on a table top and the computer can follow this movement on its screen, usually in the form of an arrow that imitates your sliding movements. The mouse has a pair of buttons on it. Generally, you would move the mouse until the little arrow on the screen points at an icon on screen. If that is the icon you want to activate, you click the left button on the mouse to let the computer know what you want. This is called "pointing and clicking."

The latest version, Windows 3.1, is expected to provide complete relief from DOS

If you click on the Main icon in Windows, you get a smaller rectangular area on the screen that has several other icons inside it. These are labelled as File Manager, Control Panel, Print Manager, Clipboard, DOS and Windows Setup.

On the other hand, if you want to click on the Accessories instead of the Main icon, you would get another set of icons. These are labelled Write, Paintbrush, Terminal, Notepad, Recorder, Cardfile, Calendar, Calculator, Clock and PIF Editor.

Now, unlike in DOS, you need to know nothing further than the meaning of each icon. The meaning of most icons is usually obvious from the picture or from its label. "Write," for instance, is a word processor. So if you want to write a letter, switch on the PC, click on Accessories, click on Write and start typing. Windows takes care of where the word processing program is, what it is called and how to instruct DOS to switch it on.

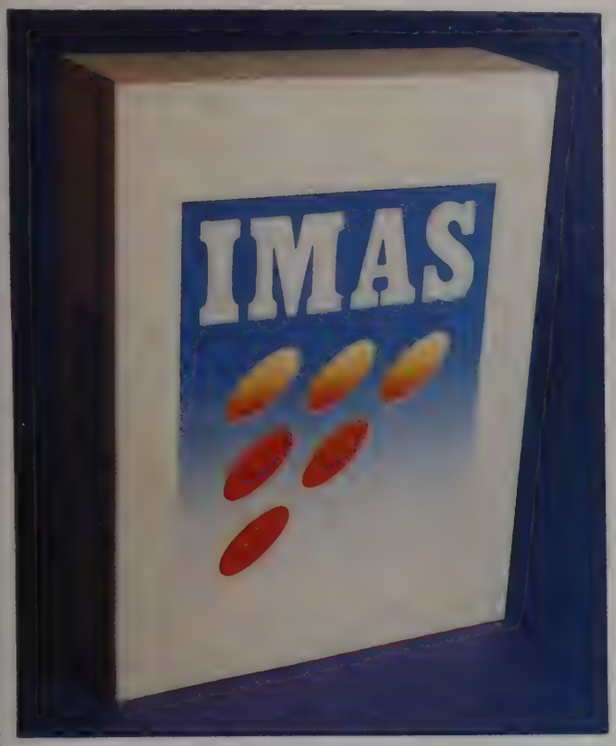
This way of instructing the computer to do things using pictures instead of typing commands, is called a graphical user interface, abbreviated (of course!) to GUI. The invention of the GUI concept is among the most revolutionary advances in software science since computers were invented.

Microsoft Windows is one of the most popular computer programs ever created. Given its intrinsic user-friendliness — a feature considerably enhanced in the latest version — Windows will almost certainly be the instrument that will, one day soon, bring the PC to every executive's table.

• *The author is a principal scientist of NIIT's computer applications research division.*

LAUNCHES

■ **NIIT** is marketing IMAS, an integrated manufacturing software package designed and developed by the Madras-based Mascon Technical Services, which specialises in manufacturing systems software. Claimed to be ideally suited to organisations wanting to increase operational efficiency, IMAS has comprehensive modules to cover all aspects of the manufacturing process.



The software comes on a number of contemporary relational database management systems including Sybase and Oracle. It is also available on a wide variety of hardware platforms.

Technical support services will be provided by NIIT.

Contact: S. Kataria, Corporate Communications Division, NIIT, C-125 Okhla Phase I, New Delhi 110 020. Tel: 6817341/2/3. Telex: 031-75286. Fax: 6817344.

■ Aurelec Data Processing Systems has released its **ASCT-1600**, a high performance, multi-purpose SCSI host adapter for IBM-PC-AT/286/386/486 and compatible systems. Complying with ANSI SCSI specification X3T9.2 Rev.17B, ASCT-1600 is designed to replace the older IBM PC/AT hard disk controller. It provides instant access to high capacity and high speed SCSI Winchester drives. And the hardware is a complete platform for communicating with up to seven SCSI devices like streaming tapes, CD-ROMs etc.

The design features a 16-bit host interface for higher throughput and supports two modes of data transfer: I/O and DMA I/O.

Contact: Aurelec Data Processing Systems, PB No 201, Pondicherry 605 001. Tel: (0413) 25855. Telex: 0469-272 ADPS IN. Fax: (91) 41386-2185.

■ **AMI Sanag Micromation** has launched two new products — the 50 MHz Eisa ASM-Enterprise II 450 and a 32-Bit Eisa graphics adapter card 'Fast View 1'.

The Enterprise II 450 is based on Intel 80486-50 MHz processor, AMI 486 Eisa Bios and has a 128 KB cache memory apart from an 8 KB built-in cache. It has a socket for Weitek 4167 coprocessor which enhances the performance of mathematical applications.

The Fast View Eisa VGA display card, increases video processing speed in an Eisa environment, while providing colour and resolution for applications such as computer-aided design, desk top publishing, animation graphics, Desk Top, Windows etc. It has a driver support for Windows, Lotus 123 and many other software packages.

Contact: AMI Sanag Micromation, 401 Paigah Plaza, Basheer Bagh, Hyderabad 500 029. Tel: 0842-232558/240499. Telex: 0425-6902 TEHD IN. Fax: 0842 222483.

HAPPENINGS

■ **Mait** (Manufacturers' Association for Information Technology) is organising its first exhibition — IT '92 — from 22-25 August. A total of 6,000 sq m of airconditioned floor space has been booked at Pragati Maidan in New Delhi for this purpose. Mait proposes to offer 400 stalls of 100 sq ft each with facilities like telephone, furniture etc to interested parties.

Contact: Mait, PHD House 4th floor, Opp Asian Games Village, New Delhi 110 016. Tel: 6851321.

The market for memory chips and hard disk drives will soon see a lot of action. **Intel Corp** of the US has plans to introduce a new low-price chip, called 'Flash' memory, which it hopes to sell as an alternative to other devices. Flash memories are expected to go into a new generation of portable electronic goods as the tiny chips can store data almost indefinitely, yet can be erased and reprogrammed easily.

Microsoft may have won the battle, but **Apple** is not going to give up fighting. Recently a US judge dismissed Apple's claim that Microsoft copied its Macintosh program in order to produce Windows. Apple is now planning a three-pronged strategy to tackle its competitor. It includes developing a Windows version of its Quicktime system extension, developing a next generation code with International Business Machines (IBM), and forging alliances with consumer electronics companies.

IBM is scouting for partners for its proposed independent joint venture company to provide interactive multi-media services to businesses and consumers throughout the US. Time Warner is believed to be interested in the project, says *Financial Times*.

Groupe Bull, the French state-owned computer maker has slashed another 1,100 jobs to sharpen its competitiveness in the recession-hit computer industry. This follows the 9,000 job cuts made over the past 18 months as part of a complete overhaul by its chairman, Francis Lorentz.

Korea's **Hyundai** group has decided to shift management of its world-wide personal computer and computer peripherals operations to the US. This is to improve its response to rapidly changing market conditions and to gain earlier access to advanced technologies.

At the height
of his
political career,
Francois Mitterand
vanished
for 14 days.

It happened on the 17th of April 1989.

A gentle breeze blew across the hot summer sky.

Inside the parliament there was a crisis brewing: the excessive use of garlic in roast duck a la Provencale.

The opposition was growing restive.

But monsieur Mitterand?

He was 10,000 kilometres away. In a tiny island off the coast of Madagascar.

Mon ami, think of the poodle shows that went uninaugurated as he bit into a succulent lobster caught the very day.

The important legislation on Parisian hemlines that gathered dust as le President lolled on the beach.

But then Mauritius is a place where sterner men have forgotten the excesses of civilisation.

Its long white beaches with powder soft sand are made to recline with a Lapierre or du Maurier undisturbed. (The closest neighbour being a dot in the sand a mile away.)

You can sip a Mauritian white rum as the sun goes down behind swaying palms.

Which is just about the time the sega dancers come out for a night of primitive abandon.







For the mildly wicked, there are casinos. For the merely slothful, hammocks and hotel bedrooms that open out to the sea.

But should monsieur decide to build up an appetite, there's always recourse to yachting, windsurfing, sailing or fishing for the exotic blue marlin.

A decision the gourmet will not regret.

For where else in the world can you find French, Creole, Chinese and Indian cooking at such close quarters?

The good life making you feel guilty already?

Take a cultural tour of an island with 17th century French architecture.

Lose yourself in Chinatown's pagodas. Or pick up Creole artifacts, intricately built ship models, and jade carvings.

Or study old maps for lost treasure left behind by the pirate 'Le Butin'.

For a tourist itinerary, call 240047 or write in to the Government of Mauritius Tourism Office, PO Box-1, Bombay-400001. And perform the vanishing act.

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99% fun. 1% land.

AIR MAURITIUS



Would this describe the average corporate brain when it comes to courier services?

The most seasoned corporate brains seem to have their blind spots.

Why else would otherwise-astute and on-the-ball executives still take the outmoded and erroneous view that anything that costs more is better?

Is that how contracts are decided, deals made or financial matters concluded?

It certainly makes no sense to pay double when something as reliable, as accountable, as efficient is available. At half the cost.

No sir, double could now mean double trouble. So don't vegetate. Think. And switch.

Put double the peas in your pod.
Call Speed Post.

Maadhyam

EMS SPEED POST
DEPARTMENT OF POSTS

you'll be surprised!

Mangalam Products has Lotte on its side.

A SWEET FORAY

Foreign collaborations are usually for adults to gravely ponder over. But here's one that's bound to delight children no end. Calcutta-based Mangalam Products has tied up with Japanese confectionery giant Lotte Co (1991 sales $2,423 million) to make stick chewing gum. Says Mangalam managing director Manoj Daga: "Ours will be the first company to produce stick chewing gum in India."

DAGA: *Quite sure of success*



The Rs 20 crore project at Waluj Industrial Area, Aurangabad, will have a maximum capacity of 900 tonnes of chewing gum a year. Of this, 50% will be exported to Europe and other Asian countries while the rest will be for the domestic market. This means that Mangalam will be raking in a cosy Rs 22 crore from exports at today's exchange rate.

Furthermore, during the first five years of the project there will be no royalty payment. Mangalam will, however, have to part with knowhow and design fees.

A niche. Given the market size, Daga's eagerness is all too natural. The total demand in India for different types of gum is around 5,000 tonnes per annum, growing at a healthy 12%. The various Indian companies combined service some 4,500 tonnes, according to Daga, the resultant 500 tonne demand-supply gap being specifically in stick gums. Some of this is met by smuggling. It is precisely here that Daga plans to position himself; he claims that his product will be considerably cheaper than the smuggled variety.

Scheduled to hit the markets in a year's time, the chewing gum under the Lotte brandname will be initially available in three flavours — blue berry, green gum and coolmint. In due course Daga plans to increase the number of flavours to 11.

Needless to mention, Daga is quite sure of the success of this venture. Incidentally, his other businesses in tea, textiles and industrial explosives had a turnover of Rs 53 crore in 1991-92.

But as of now it's chewing gum that is demanding his attention. "After all," he concludes, "one has to convert all pan masala fans and smokers to chewing gums as they are less harmful."

WPIL hopes to tap the growing demand for pumps.

BACK ON THE RAILS

With the opening up of the power sector to private industry and projects worth Rs 15,000 crore in the pipeline in the next few years, there will definitely be a huge demand for pumps. Worthington Pump India Ltd (WPIL), a member of the Williamson & Magor group in India and the Dresser group of the US, is banking on its 30 years of experience to capture a substantial chunk of the pump market. For starters, it has been able to design, develop, manufacture and instal two 90-inch diameter condensate cooling vertical turbine pumps for the Farakka super thermal power station.

The mood in WPIL was upbeat last month when the specially-built machines started humming at the power station. Says managing director P. Bajaj: "Pumps of this size have been designed for the first time in the country. In addition to designing and manufacturing the pumps, the total performance test has also been conducted at WPIL's plant at Panihati."

WPIL's performance has brought it more orders — for three more pumps of similar size for Farakka and five for the National Thermal Power Corp's (NTPC's) Talcher project. The company has now established its leadership in vertical turbine pumps and consolidated its operations by making a quantum jump in its turnover.

Turnover in 1989-90 was Rs 12.32 crore which rose to Rs 20.35 crore in 1990-91 and further to



BAJAJ: *Hoping to double sales*

approximately Rs 24 crore in 1991-92. There was a marginal profit in 1990-91 which has been upped to Rs 45 lakh in 1991-92. The company is now poised to wipe out its earlier losses of Rs 1 crore.

Four years ago, the situation was different, explains Bajaj. There was a strike at WPIL's unit, the outcome of which was that the company went into reverse gear. Substantial orders were lost and even execution of existing orders was delayed. Production fell, motivation lagged. In short, it was a management failure with its inevitable after effects.

A do-or-die battle. Enter Bajaj, in September 1990. "We went ahead full blast. It was a do-or-die situation. We knew we had to turn around and build things indigenously for it seemed our overseas parent company had lost all interest in its Indian wing. They had not received any kind of return from their shareholding in WPIL and would not give us any further technology," says Bajaj.

Now that WPIL is back on the rails, the company has regained the confidence of its parent Dresser. This month Bajaj with a couple of managers will be flying off to Madrid and, together with Dresser, will be jointly bidding for projects in Spain. The duo has already bagged a Rs 70 lakh project in Romania.

But one area where WPIL still lags is in submersible pumps. Bajaj is bold enough to admit that "in submersible pumps we are not able to compete with the small-scale manufacturers." This year Bajaj has plans to invest Rs 1.5 crore for upgrading manufacturing facilities in this field.

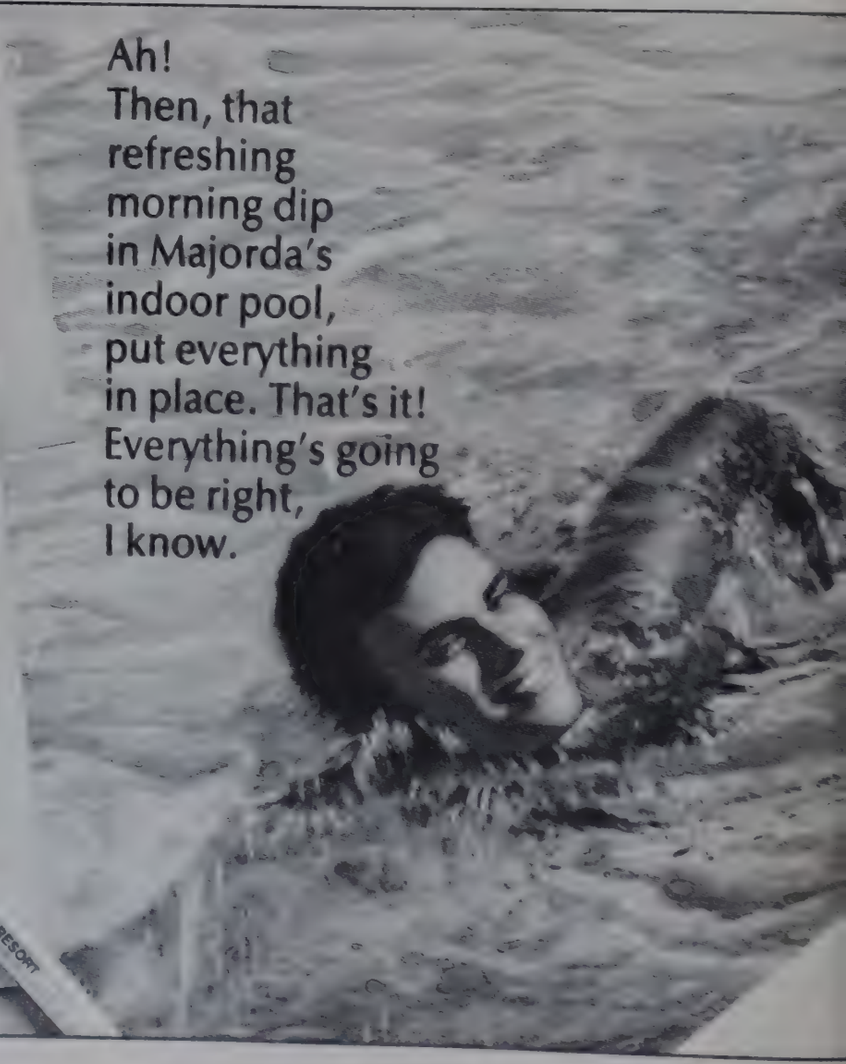
There is more cooking. Worthington Japan is sending a team of experts to negotiate with WPIL for future joint ventures. This amply proves that WPIL's hi-tech abilities are gaining recognition.

Concludes Bajaj: "With all this we expect to double our sales to Rs 50 crore in a couple of years." An optimistic target, no doubt, but for the moment Bajaj has indeed pumped WPIL out of the trough.



San Gabriel San Miguel San Rafael
CONFERENCE HALLS

I'd been sweating out the night.
Over graphs, charts, reports.
Tossing and turning the problem over.
Searching for the solution.
The meeting—
just a few hours
away! Whew!



Majorda
Beach Resort Goa

SMPL has charted out an ambitious growth plan for a...

HEALTHY BOTTOMLINE

They have diagnosed a lucrative slot. And the Medinova chain of diagnostic centres is now thinking expansion. Standard Medical & Pharmaceuticals Ltd (SMPL), which runs the Medinova outfits in Hyderabad, Pune, Bangalore and Calcutta, proposes to set up diagnostic centres of different categories at various locations in the country with the financial involvement of local entrepreneurs on a franchise basis. Each of the centres will involve a capital outlay of Rs 20 lakh to Rs 4 crore depending upon the location and nature of facilities.

"Taking into account the excellent response of our diagnostic services at the existing centres we plan to have mini set-ups at satellite locations in and around main Medinova centres," says SMPL executive director S. Basu Thakur. "In short we plan to reach people with healthcare facilities right at their doorstep."

Basu Thakur has plans to put up 20-35 such mini set-ups in the four major centres in a year's time. Already two such centres have come up in Pune and, on 10 May, Medinova opened one centre in Calcutta.

Apart from opening such centres, SMPL has plans of marketing enzymatic kits and allied products. Import-substitute diagnostic kits are currently being manufactured by Monozyme India, an associate of SMPL. There is a growing demand for these kits.

Moreover, SMPL is expected to enter the market with bulk drugs like coloxacillin sodium and diclophense sodium. Nearly 60-80% of the output of this unit will be exported. Basu Thakur hopes to achieve a turnover of Rs 15 crore next year from this unit alone.



THAKUR: *On an expansion spree*

In another tack, in order to create an awareness for the health-conscious, Medinova recently launched a health card scheme in Calcutta. Under the scheme, a member can avail of diagnostic tests up to the value of Rs 7,000 in a year at just 35% of the actual price.

According to Basu Thakur, all this should help take turnover from Rs 12 crore now to Rs 60 crore in 1995. This is certainly good news for Medinova shareholders who are yet to get their maiden dividend.

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- Goan, Continental & Chinese cuisine. Special vegetarian meals too.
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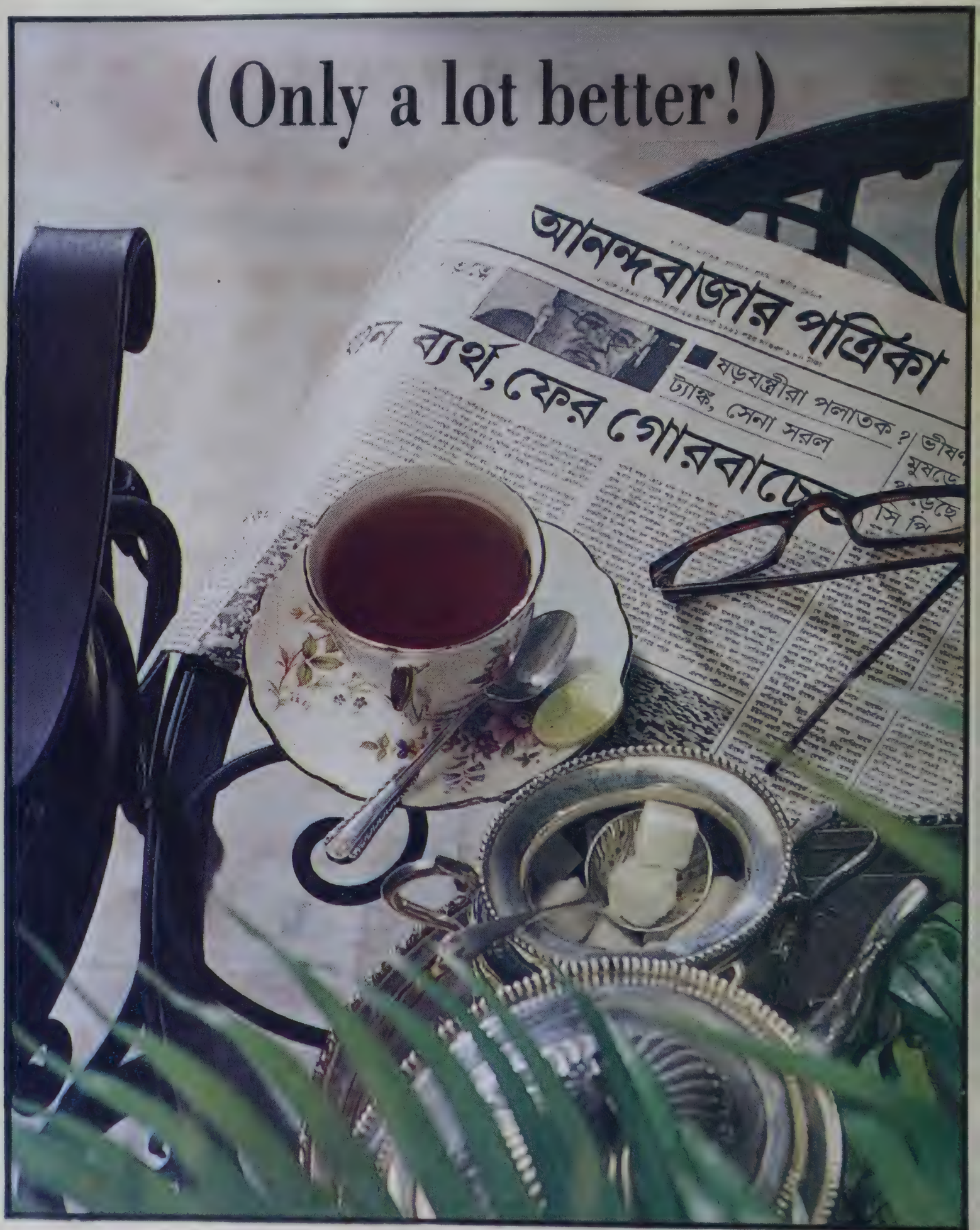
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AD PALACE/MBR/170/92

We are to Calcutta what Th

(Only a lot better!)



imes of India is to Bombay.

Did you know that Anandabazar Patrika reaches a higher percentage of Calcutta's premium segment than The Times of India does in Bombay? Here's proof from the NRS IV files...

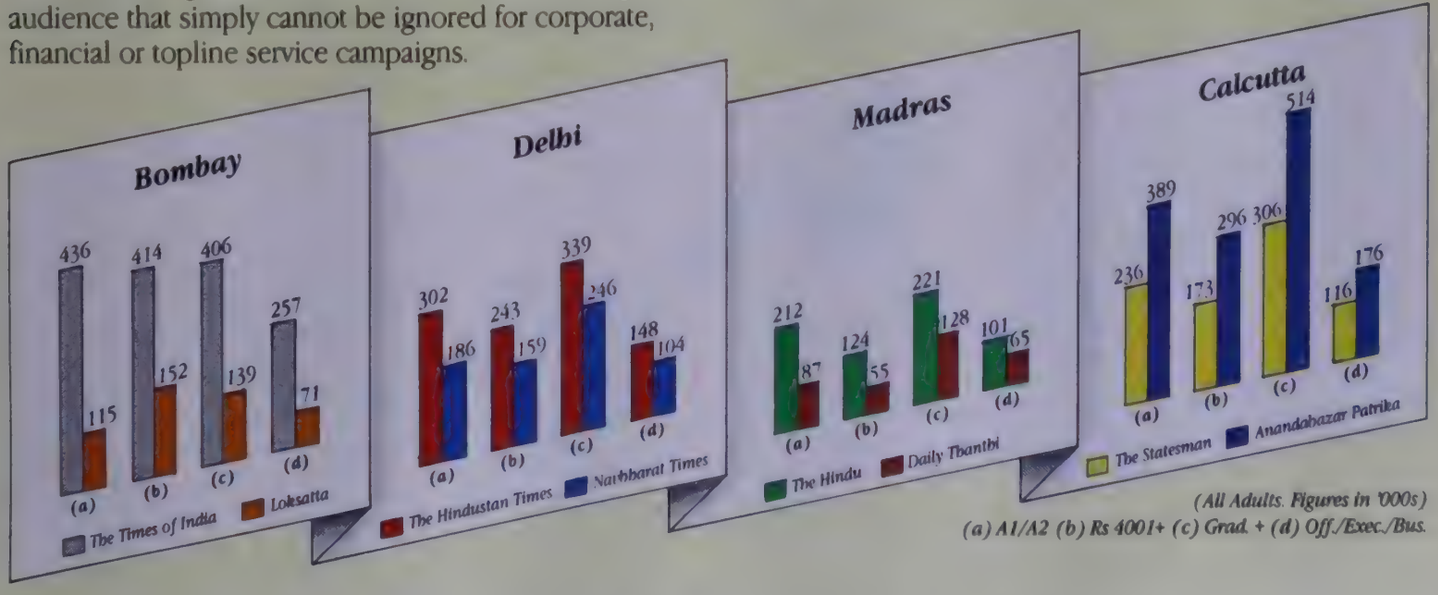
Penetration: Anandabazar Patrika vs The Times of India (Bombay)

CATEGORY	METRO	UNIVERSE ('000s)	PUBLICATION	% REACH
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	BOMBAY	975	TOI	45
Rs. 4001 + MONTHLY HOUSEHOLD INCOME	CALCUTTA	660	ABP	45
	BOMBAY	1015	TOI	41
GRADUATE +	CALCUTTA	961	ABP	53
	BOMBAY	888	TOI	46
OFFICER/ EXECUTIVE/ BUSINESSMAN	CALCUTTA	283	ABP	62
	BOMBAY	517	TOI	50

Anandabazar Patrika is Calcutta's leading Bengali daily and the first choice of a majority of the decision-makers and influencers in a city where just one person out of 10 reads an English newspaper! People in the A1/A2 segments. Businessmen, professionals and executives. People between 25 and 44 years old. Graduates. And those in the higher income bracket... all constituting an audience that simply cannot be ignored for corporate, financial or topline service campaigns.

Put another way, Anandabazar Patrika outscores The Statesman all the way—to emerge as Calcutta's no. 1 mainline daily.

Calcutta, the only metro where English dailies are outscored by a language daily—Anandabazar Patrika!



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PF CONTRIBUTIONS

H.P. RANINA

Under s.36(1)(iv) of the Income-Tax Act 1961 (ITA), contributions made to a recognised provident fund are deductible. However, this is not so for a fund not recognised by the commissioner of income tax, and the deduction of contributions here has become the subject of litigation.

A case in point is the *CIT vs Aspinwall & Co (Travancore)* (194 *ITR* 739) case before the Kerala high court. Here, the court held that the residuary nature of the provision in s.37(1) of the ITA must be given its full play. The words in s.37(1), namely, "not being expenditure of the nature described in sections 30 to 36", do not preclude certain liabilities but only exclude consideration of liabilities falling under any of those sections.

In this case, the company, engaged in the manufacture and sale of coir products, claimed deductions of Rs 16,359 and Rs 90,220 for the assessment years 1978-79 and 1979-80 respectively, the amounts being contributions made to the executive staff provident fund. The assessee's contention was that though the amount was not eligible for deduction under s.36(1)(iv), as the said fund was not recognised, the company was entitled to claim deduction under the provisions contained in s.37(1) of the ITA.

The income-tax officer (ITO) disallowed the claim on the ground that when s.36(1)(iv) provided for a deduction, the legislature should be taken to have implied that contribution to an unrecognised fund would not be eligible for deduction under the provisions of s.37. However, on an appeal by the assessee, the commissioner of income-tax (appeals) allowed the deduction under s.37.

In the above case, the trustees of the fund had made arrangements for deduction of tax as required under s.40(a)(iv) of the ITA.

The revenue, however, argued that when there is a specific provision in s.36(1)(iv) of the ITA for deducting payments to a fund, such deductions can be claimed only under that section.

Hence, it said that the assessee was not entitled to the deduction.

It was further contended that the assessee's claim was in respect to a liability which was in the nature of one falling under s.36(1)(iv) and, therefore, the words "not being expenditure of the nature described in sections 30 to 36" in s.37(1) preclude the assessee from claiming the benefit of s.37(1). To substantiate the above contention, the counsel for the revenue relied on the decisions in the *CIT vs Carborundum Universal* (110 *ITR* 621(Madras)) case and the *Calcutta State Transport Corp vs CIT* (108 *ITR* 922 (Calcutta)) case.

The counsel appearing on behalf of the assessee, in turn, relied on a judgement of the Kerala high court in the *CIT vs High Land Produce Co* (102 *ITR* 803) case. Here, the court had considered similar contentions raised by the revenue regarding deductions towards gratuity liability. It held that even though the claim for deduction cannot be made under s.36(1)(v) of the ITA, the assessee was entitled to claim deduction under s.37(1). Here, the court referred to the decision of the Calcutta high court in *Liberty Cinema vs CIT* (52 *ITR* 153), wherein the scope of s.10(2)(xv) of the Indian ITA 1922, similar to s.37(1) of the ITA 1961, was considered.



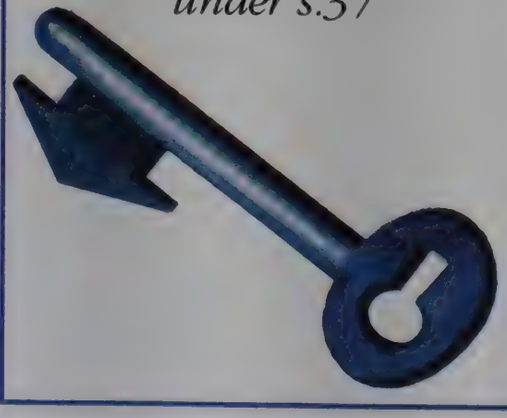
The Kerala high court held that the mere fact that a claim will not fall under any of the sections from 30 to 36 will not automatically make the claim unsustainable under s.37(1) of the ITA as well. The above decision was taken in appeal before the supreme court by the revenue and the supreme court affirmed the same (vide *CIT vs High Land Produce Co* (158 *ITR* 419).

The two decisions relied on by the revenue, which took a contrary view, could not be treated as good law in view of the above-mentioned decision of the supreme court. The Kerala high court, therefore, rejected the contentions raised by the revenue that the assessee was not entitled to claim deduction under s.37(1) in respect of its contribution to the executive staff provident fund since the claim could not come under s.36(1)(iv).

Subsequently, the revenue's counsel put forward another contention on the basis of rule 14(1) of the fourth schedule to the ITA, that the amount paid to the fund be treated as capital expenditure. However, the Kerala high court rejected this contention too. As mentioned earlier, it was the admitted case of both sides that the trustees of the fund had made arrangements for deduction of tax as required under s.40(a)(iv) of the ITA. This made the assessee eligible for exemption under s.37.

In conclusion, there is no doubt that this decision of the Kerala high court lays down the correct principle of law. Further, it highlights the true scope and ambit of s.37. It lays down the principle that even if a certain expenditure cannot be claimed as deduction under sections 30 to 36, it can still be allowed as a deduction under s.37 if such expenditure satisfies the conditions laid down in that provision.

Even if a certain expenditure cannot be claimed as deduction under sections 30 to 36 of the ITA, it can still be allowed as a deduction under s.37



• *The author is a Bombay-based advocate.*

ANILINE PROJECTS

P.V. SATYANARAYANA



This article, a continuation in the series on new chemical projects in India, will discuss aniline, an important chemical. Hindustan Organic Chemicals (HOC) set up India's first aniline plant in the early seventies and since then has dominated the market, supplying most of the country's needs. With the growth in the user sectors — namely rubber, chemicals, drugs and pharmaceuticals and dyestuffs — the demand for aniline is expected to increase at a faster rate. Chemical industry analysts expect a larger offtake of the material by the dyestuffs industry.

According to estimates made by the perspective plan for the chemical industry up to 2000, annual demand for aniline is projected to increase from around 12,000 tonnes per annum (tpa) in the late eighties to 24,000 tpa by the mid-nineties and further to 39,000 tpa by the turn of the century. This has encouraged several entrepreneurs and industrial houses to enlarge their capacities of aniline. Various new projects are now in different stages of planning and implementation. These include:

■ Ballarpur Industries is drawing up plans to set up a nitrochemicals complex at Visakhapatnam. Under the project, a 10,000 tpa capacity will be installed for aniline. Other products to be manufactured are mononitro benzene (13,600 tpa) and sulphuric acid (6,000 tpa). Societe pour la Equipment des Industries Chimiques of France is providing the knowhow for the Rs 48 crore project, which will export 30% of its production.

■ Blue Blends Petrochemicals had mooted a proposal in 1989 to manufacture 5,000 tpa of aniline. The plant was to be located at Lote Parshuram in Ratnagiri district of Maharashtra for which a letter of intent (LoI) was secured in November 1989. However, the company has not made much headway in implementing the scheme.

■ Gharda Chemicals, a leading manufacturer of pesticides and dye intermediates, is proposing to take up the manufacture of aniline at its Lote Parshuram complex. The company had secured an LoI in March 1990.

■ Harsha Synthetic Industry is also planning a 5,000 tpa aniline project at Lote Parshuram. The company had secured the LoI in March 1989 but is yet to make any progress on the project.

■ HOC is setting up a new 12,500 tpa aniline plant at its Rasayani complex near Bombay. The project, when completed in 1994, will raise HOC's overall aniline capacity to 24,500 and is part of the company's ambitious Rs 25 crore plan to manufacture nitrobenzenes along with aniline. As of late 1991, the company had initiated preliminary work on the project.

■ Polyolefins Industries is drawing up plans to set up a Rs 100 crore, 20,000 tpa plant in the Bharuch district of Gujarat to manufacture aniline and its derivatives. About 30% of production is to be exported. First Chemical Corp of the US will provide the technology and process knowhow will be supplied by the world leader in nitration technology Dr Ing Mario Biazzi of Switzerland. As of early 1992, the company is reported to have taken up the preliminary steps towards the implementation of the project such as acquisition of land. Completion is likely during 1993.

■ R.B. Shreeram & Co of the Ferro Alloys group is proposing to set up a facility to produce aniline and nitrobenzene. A capacity of 6,000 tpa for aniline has been proposed, for which a LoI was secured in January 1990. The cost of the project, earlier estimated at Rs 25 crore, is likely to escalate by the time the scheme makes headway. As of late 1991, not much progress had been made.

■ Rinki Petrochemicals & Industries, a venture of the Rinki Oils group, is setting up a 1,500 tpa facility at Surat. The project is in a preliminary stage of implementation.

■ Shangrilla Petrochemicals, a new joint venture between Shangrilla Industries and Gujarat Industrial Investment Corp, is setting up a Rs 30 crore project to manufacture aniline and nitrobenzene near Bharuch. A capacity of 20,000 tpa for aniline and 30,000 tpa for nitrobenzene is proposed. Josef Meissner (Germany) and Chemtex (US) are providing the knowhow and, according to some reports, are likely to take up equity in the venture. Work on the project may pick up momentum during this year and completion is likely by early 1994.

■ Sterling Nitro Chemicals, a joint venture between Sterling Computers and Tamil Nadu Industrial Development Corp, has initiated work on a nitrochemicals complex at Manali near Madras. Capacities of 10,000 tpa for aniline and 5,000 tpa for aniline derivatives have been planned. The complex will also have plants that will manufacture ammonium nitrate and nitric acid. As of late 1991, the company had finalised its technology transfer arrangements for ammonium nitrate and nitric acid. It was negotiating with US and Swiss companies for aniline. The cost, initially estimated at Rs 120 crore, is likely to escalate. The project is likely to be completed by late 1993 or early 1994.

With the annual demand for aniline projected to touch 24,000 tpa by the mid-nineties, several industrial houses are going in for expansions of their aniline capacities

• *The author is a Bombay-based management consultant.*

A RENEWED INTEREST

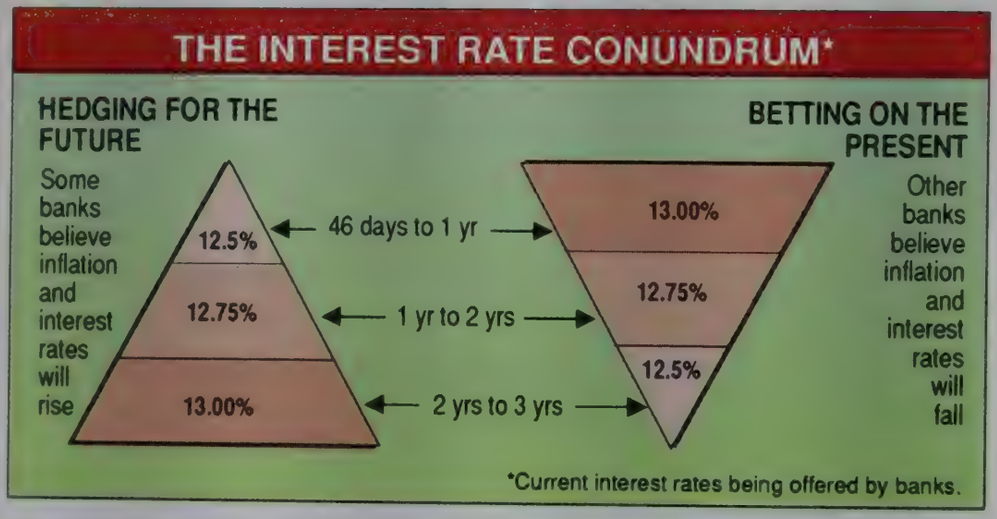
The phones kept ringing at Hongkong & Shanghai Banking Corp's plush office in New Delhi's Connaught Circus early last fortnight. Grins the bank's manager (operations) Pranam Wahi: "People rang up to say we should fire our advertisement agency because they'd made a mistake."

The agency hadn't erred; what the callers found difficult to believe were the bank's new interest rates: 13% for a 46-day deposit but only 12.5% for funds parked for two years. That means the bank is actually offering more interest for the less time a customer chooses to place a fixed deposit. Strangely, that inverted interest rate structure — a departure from the staid days of fixed upward rising interest slabs — makes perfect business sense for the bank. Says Wahi: "We made a cost-benefit analysis and decided short-term deposits were what we wanted. Naturally, we made them more attractive."

Just a week earlier, Wahi didn't have that choice. Instead, the Reserve Bank of India (RBI) dictated the interest rates which banks could offer: 11% for deposits of 46 days to less than one year, 12% for one to three years and 13% for longer periods.

On 21 April, that cosy structure changed. In a sweeping move, the RBI freed interest rates for fixed-term deposits with three provisos: there was a top limit of 13%, three different maturities had to be offered and the difference in interest between any two time periods had to be at least 0.25%. Coming as it did after a short-lived experiment with free interest rates in 1985, some bankers believe RBI's decision to be a tentative move towards eventual convertibility of the rupee. Says an executive in a foreign bank: "Free interest rates are essential for a convertible currency. This is probably the first step."

Attracting funds. The new interest rates also seem likely to trigger off a shift from savings to fixed deposits, even as bankers hope to attract funds from company deposits and other savings schemes. To do that means a quick lesson in the art of balancing: to offer interest rates which can best shore up profit margins and yet attract new depositors.



For investors, of course, it simply means more choices. As banks rush to tom-tom their interest rates, an investor can suddenly choose between a 46-day deposit or a three-year deposit — both paying an identical rate of interest. Says an official of the State Bank of India (SBI), which is offering 13% on deposits of two years and above: "The interest rate war has started. Earlier, we could compete only by offering better service. Now, the interest rates are important." SBI has preferred to stick to the earlier pattern, with the interest rate progressively increasing for longer-term deposits. Bank officials say that's because they have a comfortable funds position. Translation: SBI is among a handful of banks which don't need to scramble for deposits because they will continue to flow in anyway.

It, however, is not being too complacent. The bank is to soon launch a new scheme named Star (Short Term Automatic Renewal) which will give clients the luxury of automatic renewal of short-term deposits up to six terms. Says the senior bank official: "Today we're offering 12.5% for deposits of 46 days to less than a year. Tomorrow that could be 12.75% or even 13%."

In fact, tinkering with interest rates is inevitable as banks continuously reassess strategies. The choice of a top interest rate depends considerably on the bank's lending pattern — long-term loans mean a bank has the option of bringing in longer-term deposits. Says R.J. Kamath, Canara Bank deputy general manager in New Delhi: "We matched our assets and liabilities while fixing the new interest rates."

Banks also try to ensure that interest rates keep in tandem with the rate of inflation. The logic is simple: if a bank believes inflation and consequently interest rates will fall in the long term, it makes short-term deposits more attractive. If it believes otherwise, it does the opposite. Either way, savings deposits lose out. Although RBI also increased the interest on savings deposits from 5% to 6%, that pales in comparison with a 46-day deposit which offers short-term liquidity along with at least double the rate of interest. Says the SBI official: "Although it's too early to quantify, the shift from savings deposits has begun."

Bankers are equally confident of attracting money from company deposits, savings plans like the National Savings Scheme (NSS) and even funds which are otherwise put in debentures. "A 13% rate of interest on a 46-day deposit yields approximately 14.5% over two years," says the banking executive. "Take the additional security banks offer and fixed deposits become a very attractive option."

Not everybody agrees. Points out P.N. Vijay of P.N. Vijay Financial Services: "The banks would have had a better chance if they offered 15% interest." Certainly, however, the changes in the deposit structure are definitely in the interests of at least one section: the investors.

□ Sujatha Shenoy

NEWS BRIEFS

■ The Union government is considering raising funds from the market through **short-term borrowings** from banks and institutions, says *The Economic Times*. Accordingly, the government is contemplating frequent issues of 182-day treasury bills. The newly-introduced 364-day treasury bill, announced by the Reserve Bank of India (RBI) in its slack season credit policy, will yield an interest rate of 11.4%.

■ The RBI has permitted banks to provide immediate payment against **inward remittance instruments** up to $1,000 or its equivalent. This has been done with a view to speed up inward remittances in foreign exchange.

The central bank has also liberalised investment norms for non-resident Indians (NRIs) by allowing companies to accept capital contributions and issue shares/debentures to NRIs or overseas corporate bodies without prior permission.

■ The RBI has instituted a committee, headed by its deputy governor R. Janakiraman, to investigate transactions of all banks dealing in **government securities**. The probe follows the unearthing of the Rs 622-crore State Bank of India (SBI) securities scandal. The committee is expected to submit its findings by end-June. It will release an interim report earlier.

■ The RBI is to soon introduce a **risk-asset ratio system** for banks in India as a capital adequacy measure. Directives to commercial banks to maintain these capital adequacy norms have already been issued.

■ The Small Industries Development Bank of India (**Sidbi**) has announced a new lending scheme for companies undertaking expansion and modernisation programmes. The debt-equity ratio under the new scheme will be 3:1. Sidbi has also drawn up another scheme for financing the setting up of marketing networks for exclusive retailing of products manufactured by the small-scale sector.

■ The Industrial Credit & Investment Corp of India (**ICICI**) has finalised arrangements for two SF 20 million export credit facilities from Switzerland through Union Bank of Switzerland and the Swiss Banking Corp. These will be utilised to finance 85% of capital goods imports from Switzerland.

■ The first report of the parliamentary committee on agriculture has called for a reorganisation of the National Bank for Agriculture & Rural Development (**Nabard**) so as to establish a sound rural credit system. The report recommends that the National Banking Act be amended for the purpose.

■ The government has given an assurance that **public sector units** which have been referred to the Board for Industrial & Financial Reconstruction (BIFR) will continue to get financial assistance from banks.

■ Following the introduction of the new floating interest rate, the RBI has made certain changes in interest rates and rationalised the lending structure of **cooperative banks**.

■ The Industrial Development Bank of India (**IDBI**) and the Industrial Finance Corp of India (**IFCI**) have indicated their willingness to fund the modernisation schemes of sick textile units on the condition that they will not earmark a specific amount for the purpose.

■ India's **market capitalisation** has been highest among 20 emerging stockmarkets examined by the International Finance Corp (IFC). According to the IFC's sixth annual report, the country's market capitalisation at the end of 1991 was $48 billion.

The report also said that India's stockmarkets experienced the highest percentage of change in just three months of this year and expanded significantly over 1991.

■ The Union government has rejected the demand of bank unions and insurance firms to treat **pensions** as a third retirement benefit.

■ **Wall Street Exchange International**, an associate of the Patel group, will soon float a bank in New Zealand called the Wall Street Banking Corp, says *The Economic Times*.

■ The Bank of Baroda (**BoB**) is actively considering floating a new merchant banking subsidiary. The bank's earlier merchant banking subsidiary, BoB Fiscal Services, closed shop two years ago following its alleged involvement in a share scam. BoB is also planning to launch a mutual fund soon.

■ The US has asked India to allow **western financial firms** greater access to its markets. According to assistant secretary in the US treasury department Olin L. Wethington, India's decision in this regard will weigh heavily on the results of the Uruguay round of trade negotiations.

■ India has applied for membership to the Multilateral Investment Guarantee Agency (**Miga**), an affiliate of the World Bank, in a bid to provide insurance cover to foreign investment in the power sector. According to the minister of state for power Kalpanath Rai, the agency will provide insurance cover for expropriation, war and civil disturbances and currency transfers.

■ Several central ministries and project authorities have threatened to surrender World Bank and other bilateral assistance in protest against the finance ministry's decision to deny **free foreign exchange** against such loans, says *The Economic Times*. The report, quoting 'highly-placed' sources, says the ministry's decision will be counter-productive as it will slow down further loan disbursement by multilateral agencies.

THE BOMBAY STOCK EXCHANGE: *Rapid growth*



SCANDAL AND AFTER

The mystery has finally been solved. Even as the stockmarkets were climbing to vertiginous heights, a question kept nagging many concerned: where does the money come from? Or, more precisely, where does Harshad Mehta's money come from?

In the crazy past few months at Dalal Street, the star of the bourse seemed to have access to an almost limitless supply of hard cash. His ability to clip any potential bear strategy in the bud by insisting on deliveries of stock is now almost legendary. Mehta undoubtedly deserved the sobriquet of big bull. His own stock soared amongst lay investors and companies started inviting him onto their boards.

But the question kept coming back. What was the source of all those untold crores? When the markets finally got to know the real answer, they tumbled in sheer panic. Countless investors have been hit by the falling rubble. It now seems that the magic money was really dirty money. Dalal Street has realised that its latest icon may turn out to be more of a Michael Milken than a Peter Lynch.



MEHTA: *In the dock*

It now appears that the big bull's actual game involved sponging off unbelievable amounts of money from the huge, but disastrously inefficient, market for government debt. Compared with the stockmarket, with its millions of investors, the market for government securities (gilts) resembles a cushy private club. Dominated by the commercial banks, the financial institutions and a handful of brokers, the inefficiency of this market has now been illuminated, despite the obvious expertise of its participants.

It was this inefficiency that Mehta has exploited to the hilt. The entire market for gilt-edged government securities revolves round banks trying to meet their statutory liquidity ratios (SLRs) and other institutions which temporarily park surplus funds in government securities.

Antiquated mechanism. The entire controversy which is now hogging the headlines revolves round the antiquated settlement mechanism of this market. It was precisely this mechanism that gave Mehta his basic opportunity to bend the system to his benefit.

Gilt trading is actually a paperless process. This means that banks and brokers do not physically move gilts around. Rather, the Reserve Bank of India's (RBI's) public debt office (PDO) acts as a central depository, much like the Stock Holding Corp in the stock-market. This office makes book entries in a securities general ledger (SGL) to show the various gilt transactions. When, say, a selling bank actually transfers the securities to a buying bank, an SGL note is issued by the RBI. This business, which is done once a fortnight, finally indicates that the account is "reconciled."

Paperless trading without computerisation is fraught with dangers. The basic check available to even a small depositor, of examining his passbook entries at the same instant, is not available to the banks which trade many crores worth of gilts.

The system, as one can see, is hardly the epitome of perfection. Harshad Mehta, it now appears, saw it better than anyone else. In fact, he exploited a particular facet of this system — the banker's receipt (BR). The need for this IOU arises when the bank selling the securities cannot deliver them to the purchasing bank at once. So a BR is a simple promissory note issued by the selling bank to the purchasing bank. It indicates that it has received money for the sale of securities and that these will be issued later. Once this is done, the BRs are automatically converted into SGLs. However, it often takes months before this is actually done. Till then banks are sitting on a float of such BRs.

The RBI had, in July 1990, warned banks against the excessive use of BRs. Though these are strictly non-negotiable instruments, it is quite possible that the RBI realised the danger of overdependence on these instruments. It now appears that various banks have been careless enough to ignore this stricture.

L'affaire Mehta came to light in the aftermath of the spate of double ready forward deals which some banks and brokers went in for recently. These deals are essentially profitable anticipations of a hike in the coupon rate of gilts. They involve switching of high-yielding securities for low-yielding ones. (After a coupon rate hike, newer high-yielding gilts tend to lose more value than the older low-yielding ones.)

The method of a double ready forward is that when a broker correctly anticipates a coupon rate hike, as Harshad Mehta did, he borrows a bank's excess stock of high-yielding securities for his own low-yielding gilts. The former are then shortsold. After the coupon rates are hiked, the broker mops up high-yielding gilts from the market at almost bargain rates. After making his pile, he reswitches his and the bank's holding once again. The bank gets a pre-determined margin.

It was at this juncture that the overselling of high-yielding securities came to light. As operators were forced to square up, prices of these securities defied the logical trend and climbed. When State Bank of India (SBI) officials looked into whether their bank's holdings of gilts were affected, they found a major discrepancy in their records and those of the

PDO. The amount: a whopping Rs 600 crore. And where had the money gone? Straight to Harshad Mehta.

It now transpires that a junior clerk, possibly at Mehta's insistence, cooked the books and claimed to have squared up the deal with SGL securities. Actually, SBI was only holding BRs in lieu of securities. Therefore, these could not be sent to the RBI for crediting into SBI's SGL account. As the investigators delved deeper into the matter, they came up with the biggest surprise. The BRs were not even in SBI's possession. Rather, they were lying with the broker!

An open question. How Mehta used the misappropriated BRs to raise funds for his stockmarket activities is still an open question. Possibly the only person who knows the full story refused to speak on the issue when contacted by *BusinessWorld*. Mehta told the magazine that his lawyers had advised him to keep mum on the issue.

No one has yet been able to put a finger on the real modus operandi. At the time of writing, there was an uncomfortably large number of stories doing the rounds. The first one, least dangerous to Mehta, suggests that he used the floating BRs as collateral to raise money. Though BRs are strictly non-negotiable and hence cannot be pledged to raise money, sources indicated that many banks were quite ready to ignore this, if only to have the big bull on their side, especially now that profits are an important part of banking success.

The other theories suggest more devious misdoings. Some claim straightforward forgery. A BR, being a plain IOU, is not very difficult to forge. And so lax are the internal checks of nationalised banks that there is little chance of these fraudulent BRs being detected. (Only foreign banks are said to regularly follow the procedure of counterchecking signatures on BRs that they receive.) Proponents of this theory ask that if Mehta had access to genuine BRs, why did he square up his position with SBI using securities and actual cash rather than with BRs.

Another possibility being mentioned is that even cheques issued after the sale of securities were diverted to the broker's account. For example, if a cheque was issued in the name of SBI, the cheque would further be marked a/c Harshad Mehta (much in the same way as new issue cheques are made out to the bank but with the added instruction that the money be credited to the company concerned). It is even rumoured that Mehta struck deals on behalf of banks without their knowledge and then diverted the proceeds into his kitty with the active connivance of employees from both banks.

It will definitely be some time before one gets to know the entire story. Till then these theories can only be accepted as conjecture. Any may be right. Or none at all. But there is a much larger question involved. And that requires no conjecture.

The entire controversy, after all, does more than just prick a few bubbles of individual success. It raises far more fundamental issues concerning the maturity and the health of the Indian financial system; as well as the pathetic misregulation that can threaten the stability of the entire system.



THE RBI: *Need for better regulation*

Take the business of the BRs itself. Despite the specific instruction of the central bank, BRs continue to be overused. And so antiquated is the settlement system in the gilts market that it would take the PDO at least 15 days to tell a bank that a BR has bounced. Meanwhile, the bank to which the bounced BR has been issued may very well issue its own BR to a third bank which may continue the process. (BRs are non-transferable, and hence fresh ones have to be issued at every trade.)

Given the rapid turnover of securities in the gilt market, by the time intimation of a single bounced BR is given, many banks have issued further BRs which will also then bounce. The cascading effect soon creates chaos in the entire market. This is already evident in the fact that the National Housing Bank (NHB) cannot pay up against BRs because NHB is itself holding BRs of banks which cannot honour them.

This, of course, is only one of the possibilities created by the current regime of misregulation by the RBI. But neither do the commercial banks come out in very good light. With the bottomline becoming an important parameter in Indian banking, all sorts of questionable deals suddenly get more importance than they deserve. According to a Bombay-based merchant banker, many tottering banks, concerned about their very survival, are no longer averse to wheeling-dealing to prop up their profits.

Not that only the weak banks are involved. When Mehta was squaring up his deal with SBI, call money rates climbed to unseasonal highs. Since only banks are involved in these call money trades, it seems to suggest that some banks were fronting for the big bull. Sources indicate that it could have been the foreign banks which mopped up the cash for Mehta.

According to a major money-market dealer, what is at stake is the confidence in the entire Indian financial system. True. After all even an RBI subsidiary, the NHB, has defaulted on its BRs. Just when the Indian government is out trying to sell India to the world, the revelation that one individual can manipulate the system for his own benefit is definitely embarrassing. Will pension funds even consider investing in a market that one person's reputation can make or break? Unlikely.

But the Mehta matter may have a positive fallout. Now that it has been publicly known that the money and capital markets are not so much free as free for all, the demands for better regulation should gather more vigour. Not, however, of the old bureaucratic type. Rather, it highlights the point that both the umpires — the RBI and the Securities & Exchange Board of India — need greater power and autonomy. The optimists believe that when this happens the system will emerge stronger from this mess. One hopes they are right.

□ Niranjan Rajadhyaksha & Roy Pinto

BRIGHT OUTLOOK

RAAMDEO AGRAWAL



The sharemarket has been in a correcting mood. After the State Bank of India scam, there seems to be a strong feeling in the media that the market has to fall quite substantially. A sad fallout of this could be that the corrections may negate all the goodwill the booming bourses had generated among big investors globally.

From the markets let's switch to specific shares. This time the area being covered is banking, which was shackled until, under the influence of the International Monetary Fund (IMF), major reforms were rung out. In the 1992 budget, the government made a beginning by reducing the statutory liquidity ratio (SLR) requirement by 8.5% (on incremental deposits). It followed that up with a 10% reduction in cash reserve ratio (CRR) requirements. Branch expansion was also allowed to banks which met certain capital adequacy norms.



Many more far-reaching changes, particularly regarding priority-sector banking and interest rate structure are likely to come. The biggest benefit is going to come from an improvement in yield on banks' existing massive deposit base. Then, new government securities are being issued at much higher rates these days while the old ones are slated to mature anytime now. The yield on these funds will also go up once they are released.

The Narasimham committee has suggested a drastic reduction in SLR and a near abolition of CRR. The government's initial move to reduce CRR and SLR on incremental deposits should release more than Rs 5,000 crore of additional loanable funds to the bank. Even if there is a 5% spread between the deposit and lending rates, the additional return to banks will be a full 1%.

On the whole, the future looks promising for banks and earnings are likely to rise. Dividends, though not huge, are more or less guaranteed. Substantial rights issues at short intervals also can't be ruled out since none of the banks is currently having an adequate capital to risk asset ratio. So banks' shares are today ruling at low price-earning (P/E) multiples and hence they have high growth potential. Here are some worth a look:

State Bank of India. It raced to a dizzy high of Rs 20,000 (its face value is Rs 100) during the boom. It has Rs 55,000 crore deposits on a capital base of Rs 200 crore. Gross profit for the current year is expected to be around Rs 1,700 crore, but net profit will not be as handsome as huge writeoffs for bad debts are yet to be made. Nonetheless, its prospects are pretty. A liberal rights issue at a modest premium is expected in order to allow it to meet the capital adequacy ratio of 8%. Buy a small quantity and hold on.

Vysya Bank. The largest and most dynamic private sector bank. It has a very small equity and tremendous potential. It can notch up an earning per share (EPS) of Rs 100 for 1992-93. A rights issue is imminent.

Bank of Madura. There's a possibility that the involvement of Uday Kotak may lend dynamism and innovation to this bank and make it more profitable than Kotak Mahindra itself.

Karnataka Bank. Its shares are widely held. There's a likelihood that an interested party may mop up them up.

Federal Bank. It is an imminent takeover target.

Bank shares as a group have performed extremely well in the past six months, appreciating more than 10 times. This only goes to prove that they are worthy of investment.

• *The author is a Bombay-based investment consultant.*

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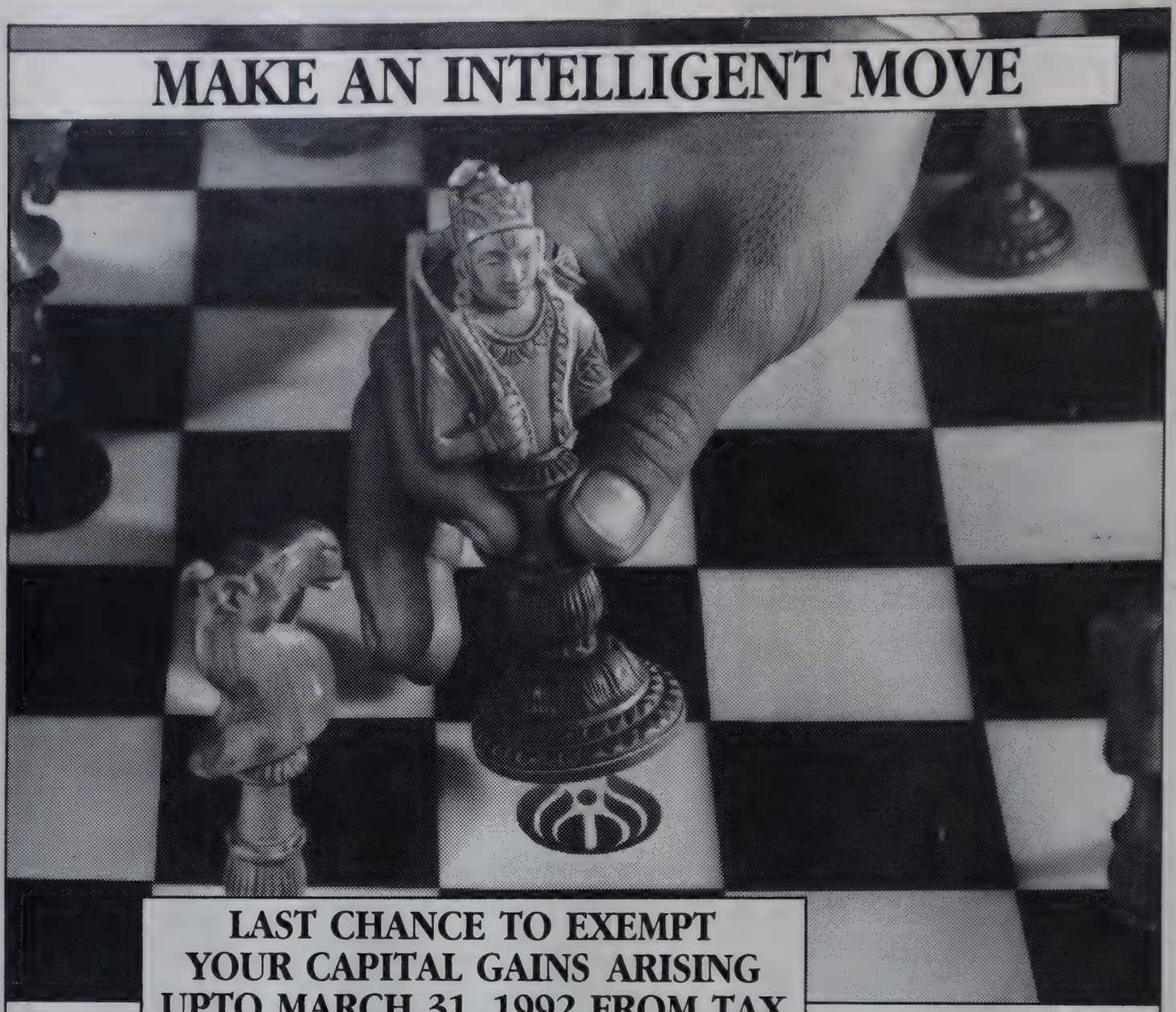


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The Delhi-based Western India (WI) group, headed by Nandan Gadgil, is on a diversification spree. A move that Gadgil hopes will help him take the group past the Rs 1,000 crore mark within three years. As a first step, he is venturing into the sugar industry with new company Western India Sugar & Chemical Industries Ltd (WISCIL).

Informs Gadgil: "The integrated sugar complex (at Kalahandi, Orissa) will include a 2,500 tonnes (crushing) per day sugar plant, and a 5 Mw captive power unit. It will also have a distillery using molasses to produce alcohol."

To part-finance the Rs 45 crore project, WISCIL is coming out with a Rs 16.15 crore 15% partly-convertible debenture (PCD) issue. Of each Rs 100 debenture, Rs 50 will be converted into five shares of Rs 10 each at the end of six months, while the remainder will be redeemed in equal annual instalments five years after allotment.



After building a successful cement business, Uttar Pradesh-based Venus group chief M.P. Singh has now developed a sweet tooth. Singh plans to reap profits by setting up Venus Sugar Ltd (VSL) to make sugar and related by-products.

Says Singh: "The sugar project will take the shape of an integrated complex with a daily crushing capacity of 3,500 tonnes. It will also have a 30,000 litres per day distillery unit. This will manufacture acetic acid, acetic anhydride, ethyl ether, ethyl acetate and other chemicals."

To part-finance the Rs 33.70 crore project, VSL will be entering the capital market in end-May with an at-par equity issue of Rs 9.15 crore.



After spending 28 years in Bharat Forge, R.S. Kothavale is striking out on his own. He is now setting up his own forging unit, Rajkumar Forge Ltd (RFL).

Says Kothavale: "A long stint in this field has given me enough confidence. Also, I have made enough contacts during my Bharat Forge days; hence marketing will not be a problem."

RFL has signed a memorandum of understanding with Walchandnagar Industries, under which the latter will buy 50% of the former's production.

RFL will manufacture open die forged components in raw or proof-machined condition and have an installed capacity of 10,000 tonnes per annum. To part-finance the Rs 11.78 crore project, RFL is entering the capital market on 18 May, with an at-par equity issue of Rs 2.06 crore.



Those venturing into petrochemicals have often burnt their fingers due to delays and cost overruns, but, nevertheless, Aditya Birla is going ahead with his pet refinery project — Mangalore Refinery & Petrochemicals Ltd (MRPL).

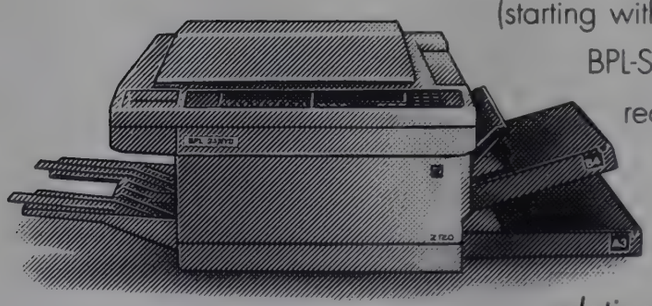
Says he: "The project cost of Rs 2,090 crore is 'as built' cost, and takes into account the fact that the project will begin operations after four years."

To part-finance this project, MRPL is coming out with a Rs 1,170.66 crore debenture issue on 21 May. Of this, Rs 582.60 crore will be 16% partly convertible debentures (PCDs) of Rs 135 each and Rs 560 crore 17.5% non-convertible debentures (NCDs) of Rs 200 each. Rs 40 of each PCD will be converted into four equity shares, while the remainder will be redeemed in equal annual instalments six years after allotment. The NCDs carry tradeable equity warrants, amounting to Rs 28 crore.

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The textile industry is in the midst of a boom. And cashing in on this is the Gujarat-based Bahuma Polytex Ltd (BPL), promoted by H.L. Khar. Already into texturised and twisted polyester filament yarn, the company is now venturing into dyeing, and aims to get a foothold into the export market.

Says Khar: "We have entered into a marketing arrangement with I.A. Marketing of Malaysia for east Asia. We will supply 40% of our production to them, and the rest will be sold locally." The company has got a Rs 2.52 crore export order in hand, which should keep its machines humming for the next five months.

Khar plans to jack up yarn capacity from 576 tonnes per annum (tpa) currently to 1,860 tpa. To part-finance the expansion drive, BPL is coming out with an at-par equity issue of Rs 2.20 crore in end-May.



Morgan Industries Ltd (MIL) managing director Ashok Balasubramanian is looking to tape up a good future for his company. Hence, he's getting into speciality adhesive tape manufacture.

MIL is implementing a 6,000 tonnes per annum (tpa) Bopp, Kraft and PVC packing tape project. The plant will also make 3,000 tpa of electrical insulation tape and 16,000 tpa of adhesives. Says Balsubramanian: "It is the largest plant of its kind in the country."

Located in Cuddalore (Tamil Nadu), the project is expected to go on stream in July 1992. And Balsubramanian is endeavouring to sign deals with various parties to ensure wide availability of his products.

MIL is tapping investors' wallets with an at-par equity issue totalling Rs 3.24 crore this month.



A market leader in the manufacture of decorative and industrial laminates and pre-laminated particle boards, the Bombay-based Neoluxe group is setting up an export-oriented unit to turn out cut and polished diamonds, gold jewellery and diamond-studded gold jewellery. The unit, Neogem India Ltd (NIL), will be set up at the Santacruz Electronics Export Processing Zone (Seepz).

Says managing director Mahendra Doshi: "We are planning to appoint Grant Walker of the UK as our technical consultant, and have signed a memorandum of understanding with Starlite Diamonds of Belgium to procure quality diamonds and market finished diamonds." Starlite will also have a minority equity stake in NIL.

To part-finance the Rs 5.50 crore project, NIL is entering the market in end-May with an at-par equity issue of Rs 2.50 crore.



GVK Hotels promoter G.V. Krishna Reddy is high on hospitality. Not satisfied with setting up The Krishna Oberoi in Hyderabad, the US-based entrepreneur has joined hands with Holiday Inn of the US to set up the Rs 28 crore Holiday Inn-Krishna, nearby. The 160-room hotel is slated to open in June.

But won't it cut into Krishna Oberoi's profits? "No," says Reddy and adds: "Krishna Oberoi is meant to cater to upper-class customers, while Holiday Inn-Krishna is meant for lower-level executives."

The company is coming out with an at-par equity issue of Rs 5.65 crore in end-May.

BEARING THE BRUNT



Over the past four months, the Indian stockmarket has put up a magnificent display. It's almost as if the new economic order has uncapped its long-bottled-up potential.

Cut back to 18 December 1991. The Bombay stock exchange sensitive index (BSE Sensex) was 1,807. It strode on relentlessly, scaling new peaks, to finally reach 4,546 on 2 April this year. And people immediately howled that it was overheated. After hovering around at that level for a while, it made two receding moves on 28 and 29 April, shedding some 792 points in the process and giving doomsayers a chance to walk around with that I-told-you-so look. But, at the time of writing (30 April), the market regained some of the lost ground by climbing 213 points.

From 950 in January 1991, the market grew 4.7 times in about 15 months and the 800 (or so) point fall has to be viewed against that backdrop. Now whether the market will recede some more or stay a while around this level to gather steam for its next onward march is left to be seen. Even at 3,500, we heard that the market was overheated. Has anyone been able to determine at what level it started getting overheated? For that matter, can any one say that at 950 the market was not ice cold?

In order to determine the growth potential of a bourse, market capitalisation in relation to gross domestic product (GDP) is considered a good measure. According to one estimate, the ratio for India is 18% against South Korea's 47%, Taiwan's 63%, Thailand's 30% and Malaysia's 114%. Do these figures tell you something? Well, a broad prediction can be made: our market certainly has some way to go, high price-earning (P/E) ratios and technicals notwithstanding.

But for a sudden change of course (and this could be drastic), no forecast is possible. Often, some unsignalled forces surreptitiously creep in, changing the market so abruptly that we are caught unawares. For instance, the recent 800 point drop is attributed to the Harshad Mehta factor. If that really was the cause of the fall, it would not have occurred at all had Mehta delivered the required loot or securities to the State Bank of India, say, a week earlier. Where are the technicals or fundamentals at play here?

In the whole game, it is investors who play a central role. The demand for scrips fluctuates, and with it their prices, in accordance with investors' expectations. Today, unfortunately, investor expectations are largely shaped by sentiments, not by knowledge. We all talk about protecting investors when a dramatic fall occurs. The fact is no one can protect them, other than they themselves. And there is no reason why we should shield them from a sudden fall when we did not stop them from running on a precipice.

The best protection for investors would be a market they can clearly see, touch and feel

What investors rightfully deserve, though, is a market that they can clearly see, touch and feel and that would be the best protection given to them. One has to start with the primary market and it is here that the Securities & Exchange Board of India (Sebi) is undoubtedly meeting a long felt need. But very little has so far been done to upgrade the secondary market.

The BSE, the country's premier exchange, is even today run on an unbelievably obsolete infrastructure. It needs an efficient telephone exchange to start with. Then, on-line, real-time computerised trading is needed to provide investors with price clarity. Third, the number of brokers (some 500) is very small (given the size of the market — Rs 250,000 crore) and a majority of them lack professionalism. The BSE's door should be opened to accredited merchant and investment bankers and other members of the financial community possessing adequate expertise and capital adequacies.

If we are looking to address the needs of the new market that is emerging, we have to go in for a drastic overhaul. Even investors need to be disciplined. Why should a banker have to spend endless hours sorting out bounced cheques? This problem cannot be totally eliminated, but it can be effectively reduced if a blacklisting threat hangs over such investors.

A large section of investors is seeking quick money. It is this greed which is the basis of the rampant speculation that has emerged today. Investors have to be educated to curb this greed factor. Sebi is best equipped to undertake this. It recently released a handout which seeks to educate investors on how to handle their grievances. Another one guiding investors on prudent investment practices is needed.

Some 45 years after achieving political freedom we have taken up the task of freeing our economy. This process cannot be painless. Look at Russia today. Some setbacks will come and a slide in the capital market is one of those. We need to be prepared for them, as and when they come. This calls for a clear and well-thought-out message to investors on the potential of the capital market, not repeated reminders of the 1929 US stockmarket crash or Black Monday (October 1987). With our economy opening up, the capital market in the medium to long term cannot step back.

□ Shankar Ganguli
The author is managing director of Empire Finance.

UPTREND IMMINENT?

DEEPAK MOHONI



For the second successive fortnight, the stockmarket was dominated by events related to it, but occurring off the trading floor. During the period under review (28 April-7 May) the Securities & Exchange Board of India (Sebi)-brokers imbroglio made way for the so-called State Bank of India scam. Though there were just five days of trading during the fortnight, the market moved with unprecedented ferocity. The end-of-day changes in the BSE Sensex (Bombay stock exchange sensitive index) for these five days say it all — the index fell by 570 points on 28 April, by 222 points on the next day, rose 213 points on 1 May, fell 327 points on 6 May and was up 97 the following day.

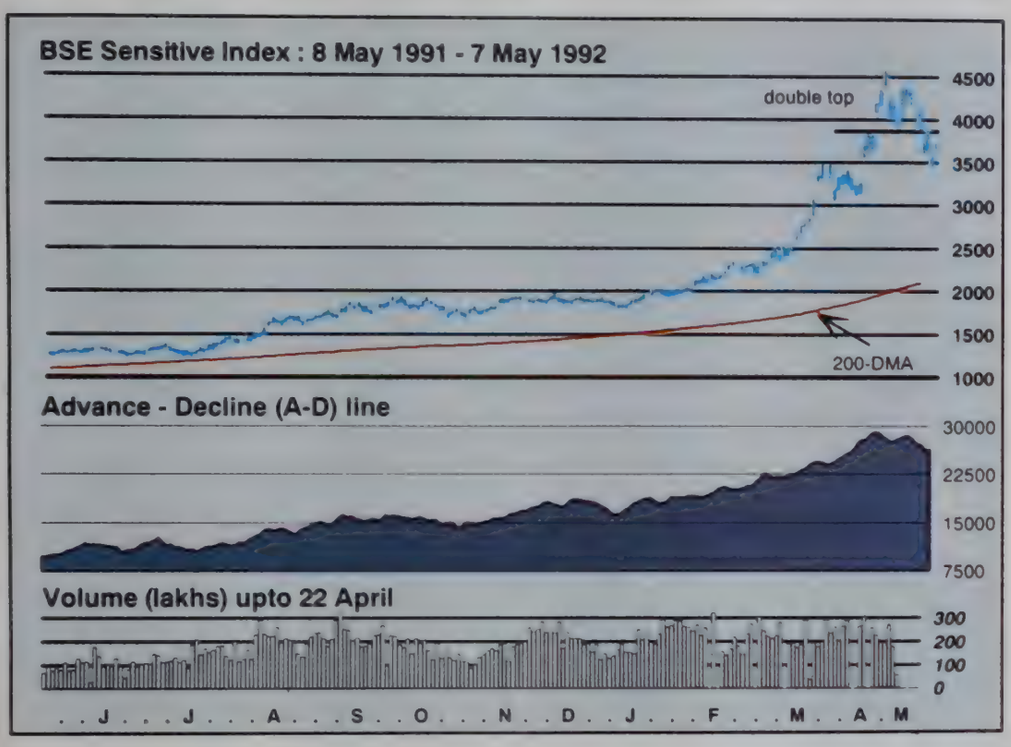
The net effect of all these moves was a 809.32 point (18.12%) fall in the Sensex. The 30-share index declined from its 22 April close (and all-time high) of 4,467.32 to 3,658 on 7 May. The 100-share national index (NI) fell from its 22 April close of 1,879.84 to 1,626.92 — a fall of 252.92 points (13.45%).

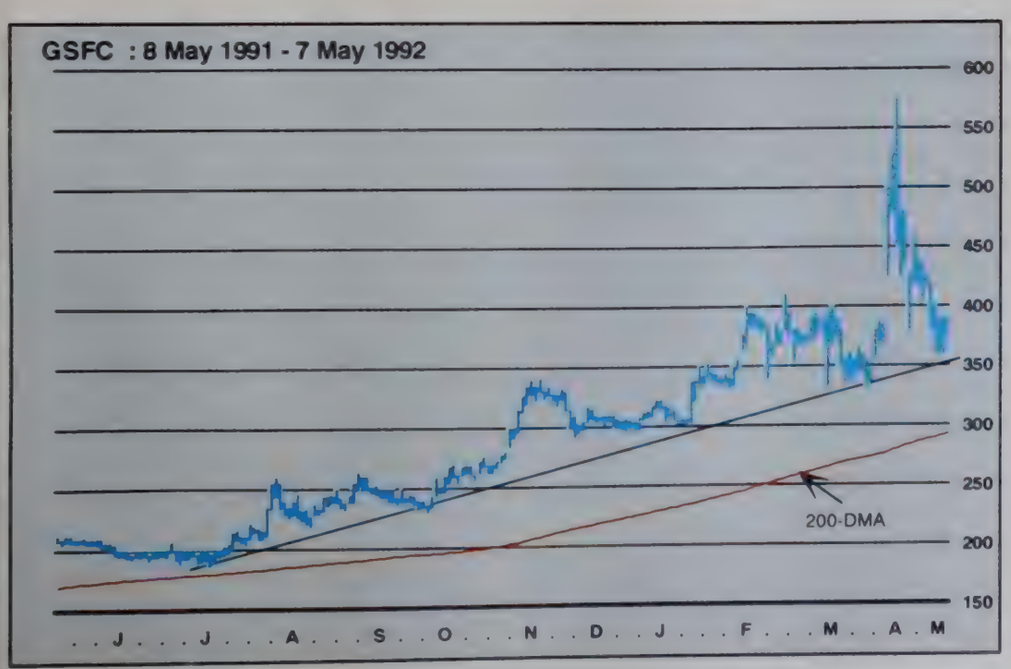
However, the NI's 22 April close was almost certainly computed incorrectly (on the low side) as suggested in the last issue.

For technical analysts, there was no warning of the crash before it occurred. There was no bearish pattern, nor had the advance-decline (A-D) line diverged sufficiently to sound a warning. The market had been closed on 23, 24 and 27 April — the last of the unscheduled holidays on account of the Sebi-broker fracas. The kerb had become fairly wobbly during those days, suggesting that had the market been open for normal trading, there was a reasonable chance that some sort of an alert could have been received.

The trading restrictions, which were presumably introduced to prevent such a crash, would have certainly contributed to the market's instability. There were no short positions to cushion the fall as forward trading had been banned until the market crashed. Further, the market would probably not have risen so dramatically had forward trading been allowed, as short-term speculators would have been constantly squaring up positions all along the rally. Ironically, bull margins were set rather arbitrarily at 50% on the day that the market plunged by 570 points.

Returning to technicals, a chart pattern emerged during the fortnight under review. A rather swift double top was formed — as may be seen by taking the 2 April and 22 April tops as the peaks, and the 7 April low as the valley bottom which was violated on 29 April. The 213-point rally behaved like a pullback, behaviour which is consistent with that expected of a double-top formation.





The 2 April top could be taken as either 4,546.58 (the intra-day high) or 4,387.76 (the day's close). The exchange only released the closing figure for 22 April, which was 4,467.32. The 7 April bottom is at 3,930.64 (intra-day low) or 4,023.11 (close). On taking intra-day values, the pattern suggests a fall to about 3,474 or lower. Based on the closing values only, the minimum target is higher at 3,658.

The Sensex has support levels at around 3,500 and 3,200. It had touched a low of 3,460 on 6 May, suggesting that the first of those support levels held out on that occasion. It is yet to be seen whether it holds out again. At any rate, the 3,200 level would probably be an important one.

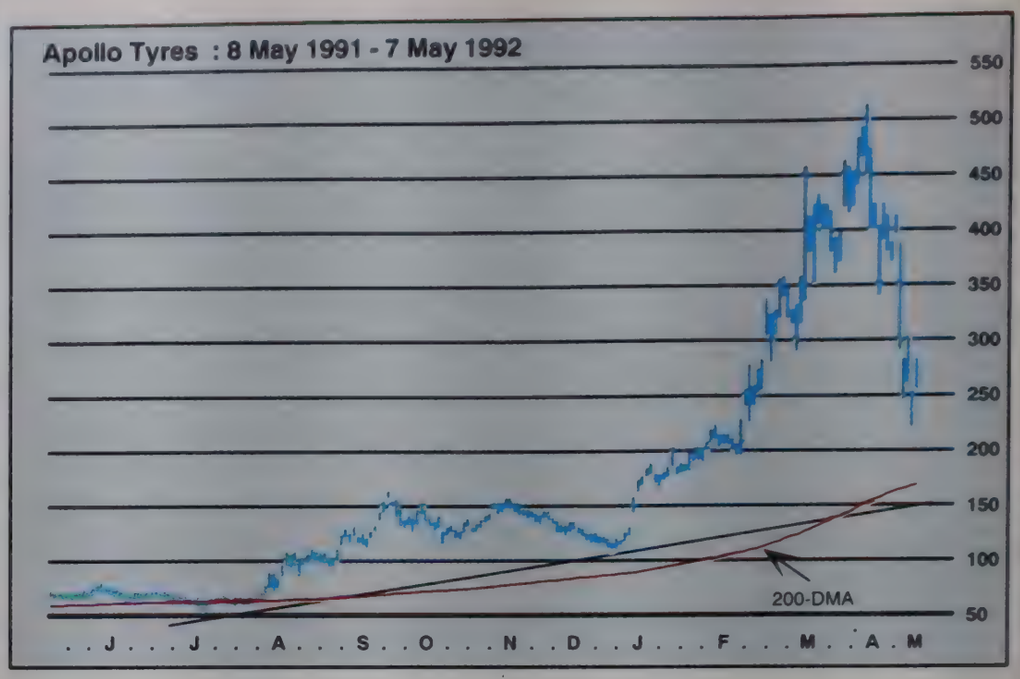
The market's intermediate term trend has finally turned down. The rising 200-day moving averages (200-DMAs) of the two indices suggest that the long-term trend is comfortably up. The 200-DMA for the Sensex is 2,080.91, and that for the NI 974.66.

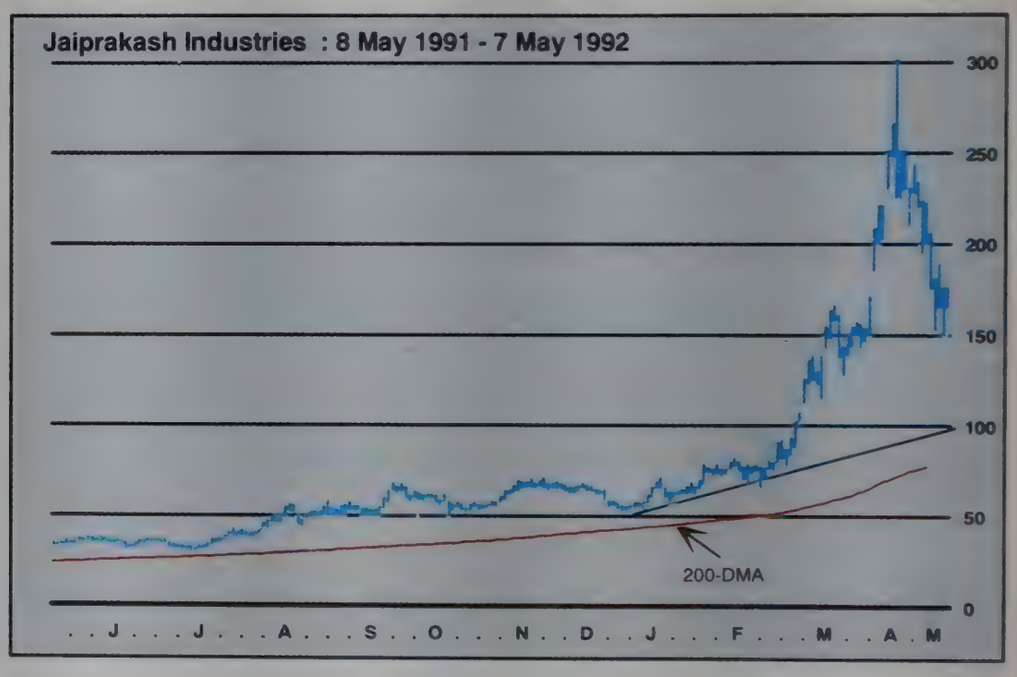
Assuming that we are not headed straight into a bear phase, chart interpretations based on the 200-DMA line suggest that we should be close to seeing the end of the intermediate level decline. This is because prices for several stocks have declined significantly towards their 200-DMAs, suggesting an uptrend could be imminent. Four "A" group stocks have been picked purely on this criterion here.

Gujarat State Fertilizers Co (GSFC) has a 200-DMA of Rs 291.62 and has come a long way down from its intra-day peak of Rs 575. The price has also declined sufficiently to test a strong trendline, where support could be imminent should the market stabilise.

Apollo Tyres is unlikely to be a popular stock given the recent events, but technically it looks interesting. The stock has declined substantially from its peak of Rs 510, and has closed in on its 200-DMA line (value Rs 166.62). The share has support levels at Rs 210 and Rs 150. **Jaiprakash Industries** has dropped from a peak of Rs 300 to a support level of Rs 160. It has another support at Rs 140. The stock's 200-DMA is at Rs 76.81. Finally, **Southern Petrochemical Industries Corp** (Spic) has a 200-DMA of Rs 84.94, and support at Rs 105.

• *The author runs Smartcharts, which offers chart services and technical analysis research.*







BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 22 June 1992.

Attention is drawn to the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.

2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.

3. Investments in debentures or securities other than equity shares are not permitted.

4. No investment can be made in scrips in which there has been no trading on the reference date for investment (9 June 1992 for Contest No 20).

5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).

6. The maximum amount investible in any one scrip is Rs 50,000.

7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 9 June 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.

8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 8 July 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.

9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.

10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 5% per annum.

11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stockmarkets.)

12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 20, the last date for the receipt of entries is 22 June 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 20 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**

13. In case of a tie, the money will be divided equally among the winners.

14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.

15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.

16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 14

FIRST PRIZE (Rs 2,500)
DILIP BAPAT
Bapat's portfolio appreciated to Rs 3,85,000

SECOND PRIZE (Rs 1,500)
P.C. NARAYANAN
Narayanan's portfolio appreciated to Rs 3,64,502.08

THIRD PRIZE (Rs 1,000)
E. SIVASANKARAM
Sivasankaram's portfolio appreciated to Rs 3,58,901.67

The finance industry seems to have been the darling of many a contestant. But those who had the right mix in their portfolios made it to the lucky league. The top gainers were Munoth Hire Purchase (up 433%), LKP Merchant Finance (up 350%) and V.B. Desai Financial Services (up 227%). Though Narayanan was firmly entrenched in the second and third slot, he had to part with the third prize (see rule 12) to Sivasankaram. To them our

Congrats!

INVESTOR CONTEST NO 20 — ENTRY FORM

Name of scrip	Price on 9 June 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

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AEC: CONSTRUCTIVE GROWTH

Stockmarket punters have written it off as a dinosaur of an industry. But the construction business still has some corporate candidates, which have some distance to go on the bourses. And AEC (India) is definitely one of them. Its equity: Rs 98 lakh. Sales: Rs 5.75 crore. Profit after tax: Rs 51 lakh. Market price: Rs 110 (30 April).

No great shakes here. But there is more than meets the accountant's eye. The company is expanding operations, graduating into value-added segments, and diversifying. With an orderbook position of around Rs 20 crore against a share capital of less than Rs 1 crore, AEC (India) looks set for a profitable future.

But first, a bit of its background. "We started as a small-time pump house during the Asian Games in 1982," relates the company's thirty-ish managing director Sanjeev Apte. "We were reasonably successful and expanded from our then level of four pumpsets. Our skills at that time largely revolved around pumping water from one point to another."

AEC might have remained within this particular niche had it not been for the fact that it began picking up threads of related businesses while doing pumping jobs as well — electricals, for instance. The result: the company began recruiting young engineers from reputed companies and established a brains' trust of its own. Today, on the electricals side of the business, AEC works for the National Thermal Power Corp, Engineers India and on the entire Korba plant of Hindustan Aeronautics. "On the water pumping side," Apte adds, "we, alone, have executed a 400 million gallons per day pumping station project in Ahmedabad for Rs 6 crore — one of the largest in the world."

Apart from this, AEC also picked up pipeline-laying expertise, which gave it the contract for the 11 km pipeline for the Rajasthan State Mines in Udaipur. As a result, though it may not be the largest in the business in the country, it has the makings of a neat tiny company with potential to grow at an astounding pace in the coming years.

This is how it could happen. Says Apte: "Having been in the water pumping business, it struck us that we could also do a lot of work with sewage. The government is paying more attention to effluent treatment than ever before; there is no way the scope of a waste-management company in India can ever narrow out. If the environmental laws are strictly enforced, the waste-management market will rise to Rs 350 crore per annum against Rs 50 crore now. Today, com-



APTE: *Building a solid future*

panies like Flakt, Otoklin and Western Paques (WP) share the market, but we don't see why there should not be room for AEC as well."

AEC is currently working with local effluent treatment technology, but a technical tieup with a European company which will allow it to handle all kinds of waste — solid, liquid and gaseous — is in the pipeline. The alliance is expected to be forged in the current calendar year and production kicked off by 1993.

AEC's growth, however, won't stop with waste. Apte intends to go furiously into shoe exports. "We should be on stream with this project by the end of 1992," says Apte, "and expect the full impact to be reflected in the balance-sheet for 1993-94."

If you are keyed up about how AEC's balance-sheet for 1993-94 will look, take a dekko at the one for 1990-91. Net worth totted up to Rs 1.59 crore and loan funds Rs 1.05 crore. Debt-equity ratio: 0.66. Even though the earning per share for that year was Rs 5.20, the young managing director is convinced this can only go up. "We are not a sales number-conscious company. We have a straightforward objective — we believe in the bottomline. Besides, we also feel that the time has come to go global — we feel that it would be profitable to expand in our current line of operations in southeast and west Asia."

There is another interesting titbit in the 1990-91 balance-sheet which reveals the company's character. Debt has moved up to Rs 1.05 crore from the previous year's figure of Rs 73 lakh, while the cost of finance has correspondingly moved up from Rs 11 lakh to Rs 21 lakh. For the first half of 1991-92, the interest burden stayed put at Rs 10 lakh on sales of Rs 3.10 crore. "Firstly," clarifies Apte, "we have no long-term debt, only working capital requirements. Even though the interest cost is a mere 3% of sales, the reason why it jumped was because of stagnating government orders. This resulted in a cash crunch, which we tried to borrow our way out of."

But that is history. From 1992-93, AEC's interest burden should drop, profitability is expected to rise due to remunerative niche markets and sales. Says Apte: "Our sales were Rs 5.75 crore in 1990-91. They should be around Rs 6.50 crore for 1991-92. In 1992-93, the take-off materialises, and we should have sales of Rs 13 crore. By 1993-94, this should rise to around Rs 20 crore."

Now let us work on the margins. For the first half of 1991-92, AEC's pre-interest margin worked out to 18.6%. Assume that this rises to around 20% in 1992-93. That yields an operating profit of Rs 2.60 crore. Assume that the interest burden stagnates at Rs 40 lakh (Apte says it will be lower). You still have a gross profit of Rs 2.20 crore for a company with an equity capital of Rs 98 lakh.

Interested?

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A WELL-DESIGNED SCHEME

M. D. MUKHI

With a view to satisfy the growing appetite of middle-class investors for regular income schemes and also to cope with the rising cost of living, Indian Bank Mutual Fund (IBMF) has launched the Ind Prakash scheme which will remain on tap till 31 May. Ind Prakash also provides for a cumulative option for those who prefer a lumpsum amount at a later date to a regular income now. The scheme, an income-cum-growth-oriented one, is for a period of seven-and-a-half years and will terminate on 30 November 1999.

Under option A (regular option), an investor is assured minimum incremental return (payable yearly) at the rate of 15% during the first 10 months, 15.25% during the second year, 15.5% during the third, 15.75% during the fourth, 16% during the fifth, 16.25% during the sixth, 16.5% during the seventh and 17% during the last eight months. This gives an average minimum return of around 16% per annum.

Under option B (cumulative growth scheme), the income at the above minimum rate is automatically reinvested and the value of the units appreciates in tune with the minimum assured returns or at higher returns that may be declared. However, certificates indicating the income accrued each year will be issued on request. On redemption at the end of the scheme, every Rs 1,000 invested will grow to a minimum Rs 3,032.

The option exercised at the time of application is final. When no option is indicated, the investor will be deemed to have exercised option A.

Each unit has a face value of Rs 100 and applications have to be made in multiples of Rs 1,000, subject to a minimum of 10 units. There is no upper limit and allotment is assured.

Applications for this scheme can be made by resident adult individuals singly or jointly, Hindu undivided families (HUFs), minors through parents/guardians, associations of persons (AoPs), registered societies authorised to invest in such units, companies/bodies corporate registered in India, registered trusts authorised to invest in such units and non-resident Indians (NRIs) on a non-repatriation basis. Applications made in the names of foreign nationals and partnership firms will not be accepted.

Investors in the scheme enjoy the following tax benefits:

- For individual investors, there is no deduction of tax at source.
- Income and capital gains from units are tax-exempt subject to prevalent tax laws.
- Investments in these units by religious and charitable trusts qualify for tax benefits under s.11(5) of the Income Tax Act 1961, read with rule 17C.

A unique feature of the scheme is that it provides insurance cover against death by accident. Arrangements have been made with New India Assurance Co for this purpose. The amount of cover is equivalent to the amount of subscription, subject to the following conditions:

- The cover is available only to individual investors. Entities like HUFs, trusts, companies, bodies corporate etc are not eligible.
- Only those investors whose name appears on the fund's register of members at the time of the accident are eligible for benefits.
- In the case of NRI holders, claims payable will be in non-repatriable Indian rupees only.
- In the case of single holdings, the registered holder, and in the case of joint holding, only the first-named holder will be entitled to the benefit of this cover.
- The amount of insurance cover per person will be the amount of subscription or Rs 5 lakh, whichever is less. The limit will be applicable whether the person is covered under one certificate or more, under one scheme or more of the Indian Bank Mutual Fund.



Though the scheme has a maturity period of seven-and-a-half years, investors will be provided with adequate liquidity by way of repurchase, loan and transfer facilities. Repurchase facility will be allowed under both the plans after 1 June 1994. However, the total ceiling amount per year for the repurchase will be restricted to 20% of the amount subscribed on a first-come-first-served basis. Any application received after the ceiling is reached will be considered for the next year only.

Loans can be obtained by holders up to 75% of the face value from any branch of the Indian Bank.

Ind Prakash is a well-designed scheme with quite a few investor-friendly features. It offers two different options to suit investors' needs, fairly good returns, cover against inflation by providing incremental returns year after year, easy liquidity, safety of capital and free insurance against fatal accidents.

- *The author is a Bombay-based investment consultant.*

IN A NUTSHELL

Scheme: Ind Prakash by Indian Bank Mutual Fund. A seven-and-a-half year close-ended scheme with two options. Option A is a regular income scheme, giving an incremental return rising from 15% to 17%. Option B is a cumulative growth scheme, whereunder Rs 1,000 grows into Rs 3,032 on maturity.

Face value: Rs 100 per unit.

Minimum & maximum amounts investible: Minimum Rs 1,000 and in multiples thereof. There is no upper limit. Cheques to be drawn in favour of 'Indian Bank a/c IBMF-Ind Prakash.'

Eligibility: (1) Adult residents singly or jointly; (2) minors through parents/guardians; (3) companies/bodies corporate; (4) AoPs; (5) HUFs; (6) registered trusts and societies authorised to invest in such securities; (7) NRIs on a non-repatriation basis.

Liquidity: (1) Loan facility; (2) repurchase permitted after 1 June 1994; (3) easily transferable.

Tax benefits: No deduction of tax at source; (2) income and capital gains from units are tax-exempt subject to prevalent tax laws; (3) investment exempt from wealth tax; (4) religious and charitable trusts qualify for tax benefits under s.11(5)

Other features: (1) Assured allotment to all applicants; (2) insurance cover provided for fatal accidents.

Japan cuts defence spending in the post-cold war era.

A FAREWELL TO ARMS?

Japan's defence industry is bracing for leaner times. While companies are busy with work contracted two to three years ago, analysts say they will start feeling by 1994 the effect of a major decline in orders resulting from the end of the cold war. The ¥865 billion (Rs 20,150 crore) of work awarded by Japan's Defence Agency in the budget for the fiscal year ending 31 March 1993 is 19% lower than the level appropriated two years ago.

The Defence Agency's spending cutback took place despite overall growth in military outlays: the ¥4.55 trillion defence budget is 3.8% larger than last year's. Most of the additional funding was allocated to improve the living standards of military personnel and provide a greater contribution to the maintenance of US forces in Japan. Spending on weapons accounted for just 22% of the budget.

Opposition parties are demanding further cuts in defence spending, but the government is holding back, arguing that Russia continues to modernise its military forces in Asia. The government says this buildup is a threat to Japan's security.

Prime minister Kiichi Miyazawa, however, has made some gestures to appease the opposition. In February, he said the government would review its Medium Term Defence Buildup Programme that governs the weapons purchases and would reduce total allocated defence spending over five years by 0.44%, or ¥100 billion.

Aircraft and missile makers are the initial big losers in the industry slowdown. In the current defence budget, orders for missiles were slashed 36% from levels two years earlier to ¥109 billion. Aircraft orders were cut 24% to ¥272 billion.

In recent years, these companies received a growing allocation of defence funds to finance major missile and aircraft projects. Some of the large projects affected in the funding cutbacks involve the licensed production of US weapons such as Raytheon's Patriot missile air-defence system, McDonnell Douglas Corp's F15 fighter jet and Lockheed Corp's P3C Orion anti-submarine aircraft.

The number of contracts for warships, ammunition and tanks has also fallen, though less steeply. Warship orders in the current defence budget totalled ¥205 billion, a 10% decline from the level which existed two years ago. Ammunition contracts fell 10% to ¥158 billion, while tank orders dropped 15% to ¥72 billion.

The hardest hit. Analysts believe equipment purchases for the ground self-defence forces and the maritime self-defence forces will be the hardest hit by budgetary squeezes in the long term. They expect a large reduction in orders for Mitsubishi Heavy Industries' latest main battle tank, the Type 90.

Signs of this trend are already evident. To reach procurement targets laid out by the medium term defence programme, at least 26 tanks are required to be produced annually, but the current defence budget allocated funds for the purchase of only 20.

Despite its problems, the Japanese defence industry — led by Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Mitsubishi Electric — is in a much better position to deal with a retrenchment in arms production than its foreign counterparts. While defence-related activities account for 50-90% of the total work at most US defence contractors, for example, the figure is significantly less for Japanese companies.

In the fiscal year ended 31 March, defence contracts made up only 16.7% of Mitsubishi Heavy Industries' total orders, 21.4% of Kawasaki Heavy Industries' and 6% of Mitsubishi Electric's. Mitsubishi Heavy Industries, the country's No 1 arms maker, is the main contractor in the Patriot missile and F15 ventures. Kawasaki Heavy Industries and Mitsubishi Electric are also mostly involved in aircraft and missile manufacturing.

As foreign military sales are banned by the government, Japanese defence companies are also unaffected by the steep slump in the international arms market. But the companies are growing increasingly concerned that foreign competitors may try to move more assertively into the Japanese market to make up for falling sales elsewhere.

These fears appear to be justified. Tokyo, in response to pressure from Washington to reduce its trade surplus with the US, is likely to increase purchases of US arms. Japan imported about ¥200 billion of US defence goods in the fiscal year ended on 31 March, a large proportion of which were components of weapons assembled in Japan under licence from US companies.

The US is also pressuring Japan to cut back on its licensed production of weaponry. When the Defence Agency decided in 1991 to buy 36 multi-launcher rocket systems from LTV Corp at a cost of ¥600 billion, it

MIYAZAWA: *Appeasing the opposition*



wanted a contract under which Japanese companies could build 75% of the launchers. Washington objected to this proposal, and the agency eventually agreed to buy already-assembled launchers.

Another wrangle concerns Japan's intended purchase of an airborne early warning and control system, better known as Awacs. The Defence Agency had planned to buy four Awacs aircraft based on the Boeing 707 airliner. But because Boeing was about to close its production line for this aircraft, the company and Washington asked the agency to purchase additional aircraft or pay substantially more for each aircraft to make the deal economically viable. The Defence Agency refused the offer, and it is now considering the acquisition of an Awacs system based on the Boeing 767.

Despite such problems, Japan's defence industry recognises that its economic wellbeing depends on the survival of US defence companies. "The issue is how much work should we give US companies without affecting our own interests," explains a defence-industry lobbyist.

Reflecting the extent of this interdependence, the FSX-fighter programme, a joint project by Japanese and US aerospace companies to build Japan's next-generation combat aircraft, is entering the final stages of research and development. The project, which is to begin production in the late nineties, was delayed for two years when talks became entangled in bilateral economic frictions. A wide range of other joint ventures is also under way.

Production cuts. Defence contractors, meanwhile, are beginning to prepare for the impending slowdown. Temporary workers are being laid off, staff overtime is being cut and much less work is being sub-contracted. Companies are also looking at switching military-production lines to civilian work. Kawasaki Heavy Industries, for example, is studying plans to manufacture bullet trains for Japan Railways at its main aircraft factory in Gifu.

Consequently, defence-industry executives fear that the scaling back of their companies' production capabilities could damage Japan's prospects of remaining a major arms maker. "We need to maintain a minimum industrial base where we can meet our indigenous military requirements," says a defence-industry lobbyist.

This fear may be groundless. Analysts point out that the Japanese government is overly generous in its support of the defence industry. Because of the high degree of government support, they point out, the production cost of arms is substantially higher than comparable items manufactured in other countries.

Mitsuo Takai, a retired military researcher at the Defence Technology Foundation, complains that the Type 90 tank with its ¥1.2 billion price tag is almost five times more expensive than a US M1A1 Abrams tank, its nearest equivalent. A McDonnell Douglas F4 fighter costs more than twice as much to produce in Japan as the same aircraft does in the US.

Defence-industry executives argue that despite these inflated costs, their companies barely break even from arms sales. In the fiscal year ended 31 March, Mitsubishi Heavy Industries as a whole had a net profit of ¥90 billion on revenue of ¥2.5 trillion.

The government is already moving to help the defence industry's long-term prospects by increasing research funding. Appropriations for research and development were increased as a proportion of overall defence spending to 2.8%, or ¥31 billion, in the current fiscal year from less than 2% in the mid-eighties.

This level of spending, though, is still substantially less than in most other developed countries. Germany is allocating 6% of its current defence budget for research and development, while the US is spending 12.4%. Japanese Defence Agency officials say they want to increase spending on weapons research and development to at least 5%, particularly in military electronics. — *Far Eastern Economic Review.*

Pakistan's bank secrecy laws are attracting money launderers.

A NEW HAVEN

Want to wash your money? That used to mean opening accounts in any one of a long list of bank-secrecy havens, from Switzerland to the Cayman Islands. But there are fewer and fewer havens that are completely secure. One of today's new favourites is at first sight an unlikely one: Pakistan.

Its attraction stems from a presidential decree that came into effect last August. One of the new Pakistani government's liberalising measures, it removed foreign exchange controls. It also allowed Pakistani banks to offer foreign currency accounts that guarantee complete secrecy to the depositor.

The result has been dramatic. According to one



American banker in Pakistan, nearly $1 billion has poured into the country. Perhaps a quarter of that is institutional money that is betting on a strong performance by Pakistani equities. But a big chunk of the remaining $750 million, most of which is in dollars, could be of dubious origin: tax evasion, income from drug-trafficking or worse. Bankers were instructed at meetings with Pakistan's central bank not to ask any questions about the origin of their foreign currency deposits.

Such secrecy is troubling international organisations, such as the Organisation for Economic Cooperation & Development (OECD) and the United Nations, which are trying to stop money-laundering. Attempts are being made to change the secrecy clauses of the presidential decree. One possibility is to persuade the Pakistanis to insert a clause in their planned anti-drug legislation that overrides the bank-secrecy laws, allowing drug investigators to have access to bank accounts. A second is to cancel the secrecy clauses altogether when the banking decrees come up for parliamentary ratification.

International enforcement agencies have some leverage over Pakistan. The country has signed the Vienna convention on narcotic and psychotropic substances. Under this convention no country can block legitimate investigations into the proceeds of drug-trafficking, regardless of its bank-secrecy laws. Pakistan may be found to be in breach of the convention if it fails to cooperate with an international investigation.

Recently, Pakistan's central bank publicly withdrew a bond issue after British and American financial authorities complained that the issue was not properly authorised under their banking and securities laws. Their real concern, though, was that the bond issue, which had been advertised in western newspapers, might be used by money-launderers. Yet even though the issue has now been withdrawn, regulators privately admit that the launderers have other, more direct routes into Pakistan.

The withdrawal of the bond issue has shown that Pakistan can be pushed into line by international pressure. But unless it lifts its blanket secrecy for private foreign currency accounts, it will continue to be the latest haven for the money launderers. — *The Economist.*

ADB sees little link between arms spending and economic development in Asia.

A MATTER OF PRIORITY

The notion that military spending in developing countries has a negative impact on economic growth is popular in Japan, where the government is threatening to tailor its aid policy to penalise countries which spend heavily on arms. Yet, the Manila-based Asian Development Bank (ADB) can find little evidence that military spending in the region is directly correlated with economic and social development.

It is not simply Japan's current preoccupation with aid and military spending that is at issue, though the ADB notes that three of its biggest aid recipients — China, India and Pakistan — are big military spenders. As the bank notes, the end of the cold war has reduced the probabilty of military conflict. For these reasons, international attention is turning towards arms spending in developing countries.

The ADB points out that by several measures, South Korea, Singapore and Taiwan have had the highest levels of military spending among the bank's developing member countries. "Yet, they were also leaders in terms of economic growth," it says. "It would seem that in countries where market-oriented and outward-looking policies have been pursued, together with minimal price distortions, the impact of military expenditure on growth may be relatively insignificant," observes the development bank.

The bank admits that one of the reasons why south Asian countries have been struggling with large fiscal deficits, falling growth rates and price instability is that their defence spending has been rising faster than the gross domestic product (GDP). But this can be traced to overall economic policy in these countries.

"The gravest criticism of military expenditure is that it dilutes efforts at poverty reduction by crowding out government spending on the social sector," says the ADB. But the bank says its own research provides no evidence of such a link.

ADB research cites the case of South Korea, Burma, Singapore and Thailand which spend a high proportion (18-25%) of their budgets on defence, but which spend an equally high proportion (19-26%) of their budgets on education and health.

Military spenders. The bank admits that India and Pakistan are big military spenders and yet devote only around 4% of their central government expenditure to education and health. It declares, nevertheless, that social spending is a "matter of priorities" and does not directly reflect the pre-emption by military spending.

If India and Pakistan



were to reduce their military spending by 20% and devote the savings to education and health, then spending on these categories could, in theory, increase by 80% in India's case and by 170% in Pakistan's. But there is no guarantee that reduced military spending would automatically lead to increases in education and health spending, the ADB argues.

In absolute terms, India has been developing-Asia's biggest military spender with an average annual budget for this purpose of nearly $10 billion (Rs 31,000 crore) in 1988-90, followed by South Korea with a budget of $8 billion and China and Taiwan with $6.4 billion each.

As a proportion of GDP, Pakistan's military spending is the largest in Asia followed by Singapore and Taiwan. On a per-capita basis, the biggest spenders are Singapore, Taiwan and South Korea.

Asia provides numerous examples of military spending which is high relative to levels of economic achievement, says the ADB. Even if there is no automatic substitution between arms and welfare spending, policy makers need to be aware of the opportunity cost of a big defence budget, the bank concludes. — *Far Eastern Economic Review.*

Will a rush of foreign investment help make Vietnam...

ANOTHER ASIAN MIRACLE?

A bizarre meeting took place in Hanoi early this year. James Goldsmith, billionaire and supporter of many a rightwing cause, touched down in his private jet and spent an hour and a half with Vo Van Kiet, prime minister of one of the world's few remaining Marxist-Leninist regimes. Goldsmith left apparently much impressed, saying that, if there are more men like Kiet in Vietnam, then it has a good chance of becoming another Asian miracle economy.

Goldsmith was on a well-trodden path. Over 10,000 foreign businessmen visited the Hanoi chamber of commerce last year. By the end of January this year, foreign companies had been granted 383 licences to invest a total of $2.8 billion (Rs 8,680 crore) in one of the world's poorest countries.

The country will need successful home-grown firms more than foreigners chasing a quick buck

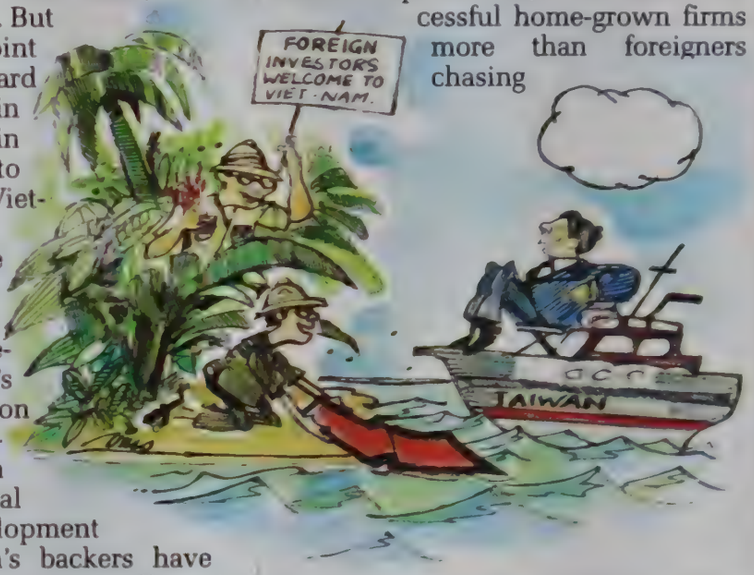
A quarter of this sum is the estimated value of the land contributed by Vietnamese partners in joint ventures with foreign firms. The cost of 13 concessions to explore for oil sold to western oil companies adds another $588 million; a string of small firms from Taiwan and Hongkong has promised the lion's share of what is left. Taiwan is the largest foreign investor; its companies have been granted 46 licences to invest $602 million. Hongkong has 96 projects, most of them small, worth some $500 million. But not all Vietnam's joint ventures are backyard projects. Two, in particular, could in theory do much to transform the Vietnamese economy.

The first is the Tan Thuan Export Processing Zone, a joint venture between the People's Committee of Saigon and two Taiwanese outfits, Pan Viet and Central Trading & Development Corp. Tan Thuan's backers have promised to invest $89 million in building a 300 hectare industrial estate close to Saigon. When completed, it will offer companies factory space at $5 a square metre with a guaranteed electricity supply from on-site generators, an important consideration in Vietnam.

Pan Viet is also behind a second big project, a $60 million scheme to set up a 20,000 hectare banana plantation, which could turn Vietnam into one of the world's largest exporters of bananas. If, that is, the project goes ahead. Nguyen Van Uyen, a biotechnologist in Saigon who has been busy breeding banana seedlings for Pan Viet, says he has yet to be paid for any of his work. None of the farmers who accepted Pan Viet's generous offer of $700 a hectare for the use of their land has yet been paid in full.

Suspect motives. Part of the problem is that Taiwanese firms have only recently been allowed to invest outside Taiwan and are still learning how to go about it. Their task is made no easier by innate Vietnamese suspicion of their motives: Taiwan was the second-biggest trade partner with South Vietnam (after America) before its fall to the communists in 1975. "The Taiwanese do nothing. Their aim is to sell the land they have reserved to American and Japanese companies for a profit after Washington lifts its trade embargo," says a senior official in Saigon.

If Vietnam is to live up to Goldsmith's expectations, it will need successful home-grown firms more than foreigners chasing a quick buck. A visit to Hanel — short for Hanoi Electronics — is not encouraging. It is the largest assembler of TV sets in northern Vietnam: last year it built 55,000 under licence from Japan's Matsushita and South Korea's Samsung. Ninh Van Mien, one of the company's two co-founders, looks quietly pained when asked if Hanel makes a profit. "Here the system is quite different from your country."



If Hanel is a product of Vietnam's dingy socialist past, then Huy Hoang could be a forerunner of its bright capitalist future. Unlike Hanel, which is owned by Hanoi's People's Committee, Huy Hoang is owned by Le Van Kiem and his mother. The Kiems are among Vietnam's first post-communist dollar millionaires. Since

1990 they have invested $4 million, made from property deals in Saigon, in building two clothing factories on the outskirts of the city. The leased equipment inside is the latest from Germany and Japan, and the 3,000 employees are pampered with a free canteen, a clinic and a fleet of buses to take them to and from work. At an average salary of $36 a month they are doing well by Vietnamese standards, but cost less than half the amount a Thai doing the same work would receive. Kiem hopes to export clothes worth $37 million this year and says the profit will be "considerable."

Yet,even the dynamic and well-connected Kiem finds the going tough. His factories are designed to run three shifts, but when *The Economist* visited nobody was at work. It was one of the three days a week when much of Saigon has no electricity during the daytime. Vietnam may yet rise from its economic ruin; but it is no certainty, especially under communist rule. — *The Economist.*

Citicorp has survived another difficult year.

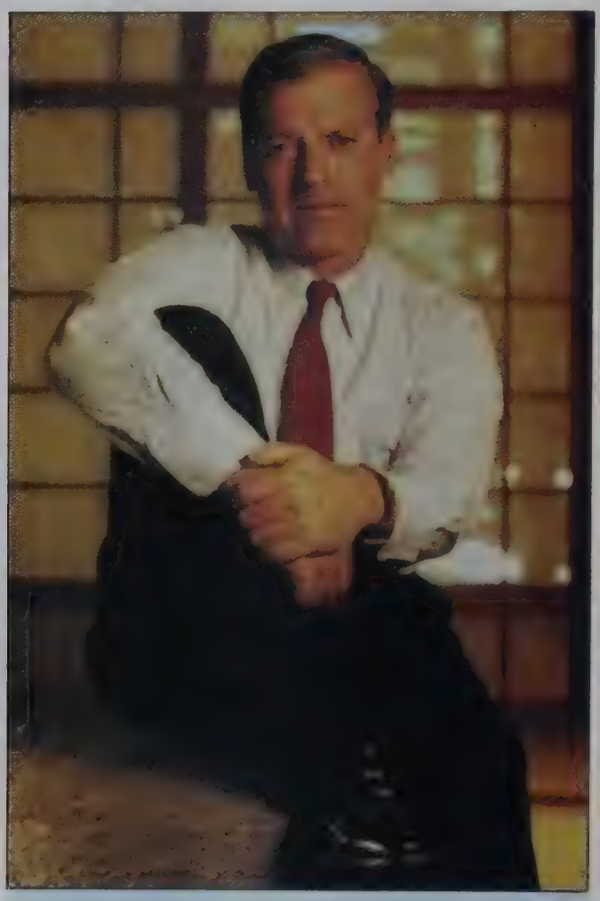
TURNING THE CORNER

Noticeably. older and heavier, Citicorp's boss, John Reed, stood before jeering shareholders at the bank's annual meeting on 21 April to say that a difficult year had rejuvenated his company, if not himself. America's biggest bank has reorganised everything from senior management to how it uses microchips, a transformation that is arguably more extensive than any that will be achieved by the current crop of megamergers among its rivals. Reed contends that his battered bank is on track to start making goodly sums of money by the end of the year, even with negligible economic growth in its home market.

Has Citicorp, now well into the second year of its two-year survival plan, at last turned the corner? Certainly, expectations are edging up. Citicorp's share price has more than doubled from last year's 10-year low, which is a great consolation for shareholders who had to do without a dividend in 1991 for the first time since 1813.

Reed likes to tell his story using an accounting approach that is less common for banks than for manufacturing companies. It strips away a profusion of one-time events as well as those enduring distractions, taxes and credit losses. The result is what he calls "operating margin" — a nice notion of raw earnings if a bank could operate in a world where debtors respected the sanctity of their debts.

In the first quarter, Citicorp's operating margin amounted to $1.7 billion: enough, if sustained, to let the bank pay for its sins and still provide a return to shareholders, according to its principal financial officer, Thomas Jones. But Citicorp's publicised sins are, regrettably, multiplying. In April, Olympia & York, the world's largest property developer, which counts Citicorp as its largest non-Canadian lender, sought a rescheduling, joining sundry big Citicorp customers, ranging from Donald Trump to assorted retailers.



REED: *Optimistic outlook*

To see how quickly "operating margin" can be consumed by bad debts, consider Citicorp's first quarter. From that healthy-sounding $1.7 billion, subtract $775 million for routine consumer credit write-offs; then $754 million for commercial-credit costs; and $331 million for additional provisions in each of those areas. Net deficit: some $160 million.

Hidden treasures. To make up for these losses, Citicorp has been adept at digging up hidden treasures. Last year an accounting change allowing the bank to value its venture-capital portfolio at market prices added $457 million to profits. Venture gains appeared again in the first quarter of 1992, along with proceeds from the sale of non-core operations (as some once-core businesses are now called) and the removal of provisions for sovereign debt, mainly to Latin America, that now looks likely to be paid back.

Together, those troves produced $490 million, enough not only to push Citicorp into the black, but also to double its earning per share from last year's first quarter, if (as the bank prefers) the accounting change is ignored. These gains dwarfed even the better-than-expected first-quarter results reported by a number of other big banks this week.

By the end of this year, Reed says that Citicorp's net earnings capacity should be restored to the "normal" $1-2 billion that it made four years ago, and the dividend can be resumed. There are some real reasons to believe him. Non-performing commercial loans declined by 3% in the first quarter, to $9.4 billion. Credit trends appear to be "stabilising," Reed says, though heavy expenses for bad loans will continue during the first half of this year. He can even spot the beginnings of liquidity in the property market. Next year he would like to spin off the bank's multi-billion dollar portfolio of commercial property in a stock offering.

By the end of 1993, Reed predicts, not only will Citicorp's earnings capacity be restored but its credit and capital problems will be history. "You can be assured that this management is grimly determined to get this job done during 1992," he told shareholders. "If for some reason it appears that I myself or my management could not get it done, I think you can rest assured there will be new management." Beginning at the top. — *The Economist.*

NEWS BRIEFS

■ The International Monetary Fund (IMF) has delivered a grim prognosis for the economies of **Latvia, Lithuania** and **Estonia**, the three newly-independent Baltic republics, says *Financial Times*. In separate studies of the three republics, the IMF describes the economic outlook for Latvia and Lithuania this year as "bleak," and calls Estonia's situation as "precarious."

All the three republics have been affected by shortages of energy and other raw materials, following the trade disruption with other former Soviet republics, forcing some enterprises to halt activity. Latvia faces a drop in real gross domestic product (GDP) of as much as 30% this year after an 8% decline in 1991. The studies predict that Lithuania's economic output will decline by at least 15% and possibly by more than 30%, on top of the 20% decline recorded in 1990-91.

Estonia is the worst-affected. The IMF warns that the country's "already precarious economic situation" could worsen. "The prospect for 1992 is for a further fall in real GDP, perhaps of the order of 20%, even if trade relations with the other former Soviet republics are normalised," it says. And to top it all, inflation has been raging in all the three republics — more than 200% last year in Lithuania and Estonia and exceeding 300% in Latvia.

■ In a bid to remain competitive, **Mercedes Benz**, one of Germany's leading car and truck makers, will cut its workforce by 20,000 over the next two years.

And the company has a new gameplan to boost performance. This includes: reducing costs by 10-12%, extending the model range, increasing research and development links with component suppliers, reducing the range of parts used in its cars and trucks, and improving plant working times.

■ Imperial Chemical Industries (**ICI**) of the UK and US company **Du Pont** have agreed to swap their worldwide nylon and acrylic businesses.

ICI will receive an estimated £250 million in cash, the final figure to be decided once the modalities are worked out. The deal, which has to be cleared by the European Commission, will make Du Pont the largest manufacturer of nylon in Europe, controlling 25% of the world market.

But the deal is yet to be cleared by the regulatory bodies in Europe and the US. Du Pont's European president David Williamson and ICI chairman Denys Henderson are optimistic that the deal will be cleared and the swap completed by the end of the year if the go-ahead is given.

For ICI, the swap will help it to concentrate on acrylic, its core business, and become the world's largest producer, with the enlarged unit having an annual sales of more than £500 million a year.

■ The Asian Development Bank (**ADB**) has approved a $2.41 million grant to Cambodia, its largest technical assistance to the country since 1973. The bank says the United Nations Development Programme will provide an additional $1.44 million in grants to support economic reforms as Cambodia emerges from two decades of civil war and revolutions.

■ Unemployment in **Russia** is likely to rise to **10-11 million** by the end of this year, according to the first results of a study of Russian manufacturing industries by the International Labour Organisation (**ILO**). According to a report in *Financial Times*, other foreign experts in Moscow put the ILO estimates to be too high, although they see unemployment rising sharply to as high as 6 million by the end of December.

The ILO team leader Guy Standing says that despite strenuous government efforts, unemployment provision, social security benefits, training programmes and labour market policies were rudimentary — hampered by lack of cash, expertise and data.

■ **Lloyds Bank** plans to make a £3.6 billion hostile bid for its rival Midland Bank, the UK bank which is already the takeover target of the Hongkong & Shanghai Banking Corp. But Midland is likely to oppose the bid. If the acquisition takes place, it spells trouble for small- and medium-sized banks as Midland and Lloyds each have around 15% of the market for small business loans. They fear the combination would wreak havoc in an already crowded market. Lloyds will offer more than 400 pence for each Midland share — a little more than HonkongBank's offer. The company's chief executive Brian Pitman is confident of raking in the profits once the bid is cleared. By merging with Midland, he hopes to generate annual profits of more than £500 million by retrenching 20,000 of its workforce, closing around 1,000 bank branches and weeding out a layer of management. But his plans are likely to run into trouble. BIFU, the banking union, has already made clear its displeasure about the Lloyds bid.

■ The Malaysian prime minister is taking a confrontational stance on the environment. At a conference of more than 50 developing countries at Kuala Lumpur, aimed at forging a common position for the **Earth Summit** to be held in Rio de Janerio, Mahathir Mohammed was in his true element. In a hard-hitting speech, he said: "The industrialised world's fear of global environmental damage has given poor countries new leverage to demand assistance for the development of their economies." "It is the rich who must be prepared to sacrifice their progress in the interest of our development," he added.

UNEMPLOYMENT IN RUSSIA: *Bleak picture*



PICK OF THE JOBS

GM — PLANT OPERATIONS

Organisation: A leading manufacturer of high-quality cartons, plastic and paper.
Requirements: A BE with an MBA; 35-45 years; 12-15 years' experience in a similar area; a strong manager with commercial acumen, ability to control labour/productivity and maintenance.
Other details: Will be based at Bombay; will report to the vice-president; will be responsible for overall manufacturing operations, control of materials, productivity of all operations, quality and cost; will have to coordinate with all agencies such as excise, inspector of factories etc.
Remuneration: Rs 2 lakh per annum; negotiable.
Enquiries to: Boyden International, 616 Maker Chambers V, Nariman Point, Bombay 400 021. Tel: 233905, 240377, 2047428.



CHIEF EXECUTIVE

Organisation: A reputed professionally-managed big group.
Requirements: An MBA (marketing) from a recognised institute; 38-42 years; 15-20 years' experience in marketing, preferably in a reputed consumer products company out of which at least 5-10 years should have been spent as a profit centre head.
Other details: Will be based at Bombay.
Remuneration: No constraint; car, house.
Enquiries to: Career Placement Services, PB No 8148, Bandra (east), Bombay 400 051.

CHIEF EXECUTIVE

Organisation: A leasing company, part of a big group.
Requirements: A CA; 38-45 years; 10-12 years' experience in a reputed leasing company, out of which five-seven years should have been spent in a senior position.
Other details: Will be based at Bombay.
Remuneration: Very attractive; liberal perks.
Enquiries to: Career Placement Services.

VICE-PRESIDENT — MARKETING

Organisation: A professionally-managed company with an annual sales turnover of about Rs 100 crore.
Requirements: An MBA (marketing) from a recognised institute; 40-45 years; 10-12 years' experience in the marketing of consumer/consumer non-durable products in a reputed company, out of which 7-10 years should have been spent in a senior position.
Other details: Will be based at Madras.
Remuneration: Negotiable; car, house.
Enquiries to: Career Placement Services.

REGIONAL CONTROLLERS

Organisation: A reputed courier service with a foreign collaboration.
Requirements: An MBA (marketing); 35-40 years; with 7-10 years' good track record in a reputed company.
Other details: Will be based at Madras, Calcutta, New Delhi and Bombay.
Remuneration: Will not be a constraint.
Enquiries to: Career Placement Services.

CHIEF EXECUTIVES

Organisation: An office automation company diversifying into new areas.
Requirements: A BE, preferably in electronics; around 40 years; with 8-12 years' experience in a similar organisation at the general management level with a good track record; a degree or diploma in business management and experience in an electronics company in Japan and the US will be added qualifications; exposure to corporate planning and self-reliant management style.
Other details: Will be based at Delhi and Bombay respectively; will report to the president.
Remuneration: Rs 2 lakh per annum; liberal perks.
Enquiries to: The Concept, 67 White Hall, 143 August Kranti Marg, Bombay 400 036.
Tel: 3674422/23.

GROUP VICE-PRESIDENT

Organisation: A large multi-divisional group in infotech, steel and petrochemicals.
Requirements: An MBA in personnel management and organisational behaviour from a premier institute; 35-45 years; at least 10-15 years' experience in human resource

development (HRD) and organisational development; exposure to industrial relations.
Other details: Will be based at Bombay; will be responsible for all aspects of HRD and administration, personnel policies, selection of senior managerial personnel, recruitment, management training, OD etc; will report to the chairman of the group.
Remuneration: The best.
Enquiries to: The Concept.

PRESIDENT — PETROCHEMICALS



Organisation: An Indian group, promoted by NRIs and technocrats, in the infotech, steel and other areas.
Requirements: A top-notch professional from the infotech industry.
Other details: Will be based at the group's headquarters at Bombay.
Remuneration: The best.
Enquiries to: The Concept.

CHIEF EXECUTIVE



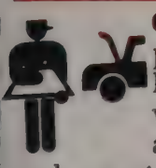
Organisation: The pharmaceutical division of a multi-divisional company.
Requirements: A top-notch professional with 15-20 years' industry experience in the marketing and technical areas.
Other details: Will be based at Bombay; will be responsible for the total profitability and planning and achievement of long-term goals.
Remuneration: No constraint; lavish perks.
Enquiries to: Jonzehn Services, PB No 9891, Bombay 400 050. Tel: 6420387.

GENERAL SALES MANAGER



Organisation: A professionally-managed consumer products company.
Requirements: An MBA; around 35 years; about 15 years' experience, out of which five years should have been at a senior level; high level of interpersonal skills.
Other details: Will be based at Bombay; will report to the vice-president (sales and marketing).
Remuneration: Negotiable.
Enquiries to: Jonzehn Services.

COMMERCIAL MANAGER



Organisation: A multinational pharmaceutical organisation.
Requirements: A graduate; around 30 years; with about 10 years' experience in handling all commercial matters, including sourcing and exports for a pharmaceutical organisation.
Other details: Will be based at Bombay and report to the general manager (commercial).
Remuneration: Negotiable, could be over Rs 1.5 lakh per annum.
Enquiries to: Jonzehn Services.

OVERSEAS

AGM — MFG, OPERATIONS

Organisation: A company manufacturing fasteners and also engaged in wire drawing, machining and galvanising operations.
Requirements: A mechanical/metallurgical engineer; 40-45 years; 15-20 years' experience in the manufacture of similar products in European/American factories.
Other details: Will be based at Riyadh; will have to take charge of the entire manufacturing operations, both wire drawing and fasteners; will also have to look after the technical and engineering problems in the plant as also the marketing operations.
Remuneration: Of Gulf munificence; car, house.
Enquiries to: Boyden International.

PLANT MANAGER

Organisation: A company manufacturing/marketing sorbitol sy, dextrose, anhydrous (injection grade) dextrose monohydrate and liquid glucose.
Requirements: An engineer (chemical or mechanical); around 40 years; around 15 years' experience in a manufacturing plant, out of which at least five years should have been spent in managing a factory (preferably chemical) independently.
Other details: Will be based at Bangkok; will be totally responsible for production targets, factory administration and coordination, maintenance and personnel; will report to the president.
Remuneration: Very attractive; includes house, car, bonus and education allowance for children.
Enquiries to: Boyden International.

MARKETING MANAGER

Organisation: A multi-million dollar Singapore-based group.
Requirements: A BSc (chemical) with an MBA; 35-45 years; 15 years' experience in sales/marketing, imports and general administration; good at accounts.
Other details: Will be based in Nigeria; will be responsible for the import of textiles/chemicals into Nigeria from India, Indonesia, Thailand, Taiwan, Korea etc.
Remuneration: Very attractive.
Enquiries to: The Concept.

□ Indra Gidwani

THE SPOUSE FACTOR

WALTER E. VIEIRA



Quite a few people like to believe that behind every successful man stands a woman. However, let's look at the flip side: is there a woman behind every unsuccessful man? No, I'm no misogynist. Read on, and maybe you'll get my point.

My friend Rao started out as a salesman in a pesticide company at Vijaywada. Sheer hard work propelled him to the post of sales manager a few years later. However, he didn't display the glow of success that most men in his shoes would. One day he said to me: "You know, my wife feels unhappy everytime I get a promotion. She feels that the further I climb up the ladder, the farther I get from her. She doesn't feel comfortable in the social circles I get into after every promotion."

It was a strange, but nevertheless true, confession. Rao went on to become vice-president (marketing) of his company. He became a tennis and golf-playing senior executive who jetted around the world. And, in the process, he also increased the distance between himself and his wife.

Rao had to make a choice: did he want to nurture the ambition burning within him or bridge the widening gap between him and his partner? Like most men in his position he chose the former.

Then there's Asha, who would settle for nothing but upscale Malabar Hill (Bombay) as her place of residence. Her husband Raja, though managing director of a public sector undertaking, felt he wasn't getting far career-wise. Raja craved for a new challenge and greater responsibilities. He did get some challenging opportunities. But each time he had to turn them down. The reason: Raja would have to move out from his present home — a total no-no for Asha. Thus Raja had to stay on in what for him was a dull and routine job, which only had the excitement of bureaucratic tangles. His go-getting spirit gradually evaporated thanks to his wife's intransigent attitude.

With Usha it was even worse — not only the location of the apartment, but the children's schools, the kitty parties she must attend and the boutiques she must patronise were her priorities. The expenditure levels, as a result, were already fixed. Her husband's task — to ensure his income was commensurate with his wife's outlandish tastes and expenditure levels — isn't too simple.

OTHER EXTREME

Let's now move on to the other extreme where the wife goads the husband into success and, to some extent, even participates in ensuring this. The result, of course, could be quite different.

There was an item in the newspapers some time ago about some senior Indian army officers who had been asked to retire because of moral turpitude. Their affairs with wives of junior officers had one disturbing repercussion, among several others: the husbands of their paramours would be 'favourably considered' at the time of promotion. It could well be possible that these wives (unlike in the cases of Rao and Raja) would actively promote the cause of their respective husbands by hook or by crook.



There is also that breed that constantly taunts the husbands about their competing colleagues who, possibly, have crept ahead in the corporate ratrace.

"Joe could have been the all-India manager of Joy Corp many years ago," was one of Daisy's favourite ways of greeting me everytime we bumped into each other. "But he did not want to leave Bangalore; so he preferred to remain an area manager. Three of the boys who reported to him have become regional managers," is another one of her constant refrains.

For poor Joe the message was clear: he had not gone as far as he should have. Luckily for him, he got used to his wife's pointed remarks. He stayed on in Bangalore as regional manager and finally retired in the same position.

The dual-career couple has its own share of strains, albeit to a lesser extent. There is the situation where the husband has a much better job than the wife. The former could be a high-flying executive, while the wife a secretary. Her income, although important, is only supplement to the family's main earnings.

There are rare situations where the husband and wife hold similar positions. John and his wife were both secretaries to the two directors of a company. They met at the workplace, continued with their jobs there and subsequently rose to virtually equivalent levels.

Yet another instance is that of Anil and Nina. The husband is a systems analyst in a medium-sized computer outfit and the wife a marketing director in a large consumer durables company. They live in Nina's company apartment and use her office car. Anil isn't too comfortable riding on Nina's success. While he is happy that she is doing well, he isn't too content to be lagging behind at some middle-management level.

To conclude, the wife plays a delicate role in determining the success of her husband. And sometimes, as in Anil and Nina's case, the successful woman too has a man in the shadows.

• *The author is a Bombay-based management consultant.*

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AGLOWMED

Medicines for Glowing Health

We are a professionally managed ambitious Pharmaceutical Company of repute with excellent image in the Eastern India. We have our own Factory at Ankleshwar (Gujarat), Head Office in Bombay and Depots & Offices in all States of operation. AGLOWMED is growing fast and has plans to cross Rs.10 Crore sales this year in East Zone alone.

We require committed managers to lead their teams and in this process, we are looking for:

REGIONAL SALES MANAGER— H.Q. CALCUTTA

The candidate should be a Science Graduate, around 35 years, energetic and career oriented. He should be working in a reputed pharma company as a R.S.M. Ambitious First-line Managers having excellent track record with atleast 5 (five) years managerial experience can also apply. Good territory knowledge, knowledge of local language and a desire to excel in performance are the other necessary qualities.

FIELD MANAGER— H.Q. SILIGURI

The candidate should be a Science Graduate, around 25-30 years, energetic and with a First Line Management experience of 2-3 years. He should have good territory knowledge.

Selected candidates can expect an attractive salary, good incentives, perks and career opportunities in this expanding organisation. Our jobs are transferrable anywhere in India.

Please apply in strict confidence, alongwith your bio-data and recent photograph, within 10 days to :

The Sales Manager (East)
M/S Aglowmed Private Limited
P-12, C.I.T. Road, Scheme-VI (M)
Phoolbagan
Calcutta-700 054.

CALCUTTA PRODUCTIVITY COUNCIL

Requires

DIRECTOR

The Candidate we are looking for in this Key position is for overall functions of the Council. He should be capable and confident of fulfilling the objectives and of excelling the contribution of the Calcutta Productivity Council amongst Private, Public, Government and Trade Union Organisations.

Candidate should be a Post Graduate Degree or Diploma Holder in Management from a recognised Institute or University and with minimum 10 years experience in senior position in an Organisation with capability of handling various agencies to highlight the importance of Productivity and its related areas in Industries in the State of West Bengal and also of organising Seminars, Project Work, Feasibility Study Report, etc.

The Candidate having successful record, exposure in Industrial Engineering techniques, commercial awareness and communication abilities will be preferred.

Age around 40 years.

Apply in confidence within 10 days with full resume along with passport size photograph stating present assignment and salary expected, superscribing the envelope with the job title to :

The Secretary
Calcutta Productivity Council
9 Syed Amir Ali Avenue
Calcutta 700 017

CHIEF OPERATING OFFICERS

Northern India **Excellent Terms**

A fast-growing multi-location and multi-business organisation has major diversification and expansion plans on the anvil besides well-established manufacturing, marketing and export operations.

To share in the growth and attain entrepreneurial advancement, the Company invites ambitious and successful professionals to head an independent profit centre and be accountable for performance. The Chief Operating Officers will be responsible for strategic planning, developing marketing thrust, upgrading and expanding existing operations besides diversification.

The candidates should have a background in Technology/Engineering, preferably with Management/Marketing; sound business acumen and ability to lead a team. Preferred age around 45 years.

High-calibre professionals presently heading a profit-centre may forward their detailed Resume in confidence to:

Box No. 775,
BusinessWorld, 6, Prafulla Sarkar St., Calcutta-700001.

SIEL

SHRIRAM INDUSTRIAL ENTERPRISES LIMITED

INDIA HARD METALS LIMITED, a subsidiary of SIEL is a pioneer in India in the manufacture of tungsten carbide products. The Company has dynamic expansion plans including a collaboration with a world technology leader to facilitate the entry of state-of-the-art technology in the field of metal cutting, metal forming & mining.

The plans also include institutionalising the concepts of TQM & ISO-9000 so as to manufacture world class products.

We require:

1. SALES ENGINEERS

LOCATIONS: Delhi, Chandigarh, Bombay, Baroda, Madras, Calcutta, Jamshedpur.

Incumbents will be required to aggressively promote company products against specified sales and collection targets. Developing markets, servicing customer requirements, handling complaints and educating customers on product application will be the focus of responsibilities. The job entails EXTENSIVE TRAVEL.

Degree/Diploma holders in Mechanical Engineering with 2-5 years shop floor experience involving metal cutting machines and tools essential. Exposure in technical selling desirable.

2. SENIOR MAINTENANCE ENGINEER

The incumbent will be based at Calcutta and will be responsible for the maintenance of DG Set, electrical distribution system, control circuits of semi-automatic machines, oil fired boiler, electrical furnaces, vacuum pumps, compressors etc. He should be capable of handling new projects in the field of electrical & mechanical engineering independently.

The ideal candidate will be an Electrical Engineer with over five years experience in maintenance of electrical, mechanical machineries, NC machines and Thyristor Control.

Salary will be attractive and growth opportunities for result oriented performers will be excellent.

Please apply within seven days giving detailed resume and contact telephone number to:

Deputy Manager – Personnel
India Hard Metals Ltd.
58, Motilal Gupta Road
Barisha, Calcutta 700 008.
Phone Nos. 775435/775581

PRESSMAN

IBP Co. Limited

(A Government of India Enterprise)

We are a professionally managed Company engaged in manufacturing and marketing of Petroleum Products, Light Engineering, High Vacuum, Cryogenic Products and Industrial Explosives with an annual turnover exceeding Rs. 1400 crores.

WE REQUIRE THE FOLLOWING PERSONNEL FOR OUR CORPORATE FUNCTIONS :

Sl. Nos.	Names of posts/ Grades	No. of positions	Reservation	Qualification	Experience	Max. Age
1.	**Manager (Internal Audit)** Bombay - Grade 'D' Scale-Rs. 4600-150-5350-160-6790/- Min. & Max. emoluments Rs. 6763/- & Rs. 9610/- respectively	One	Reserved for SC/ST	Chartered/ Cost Accountant	8-10 years' post-qualification experience	40 years
2.	**Officer (F&A)** Calcutta-Grade 'A' Scale - Rs. 2500-120-4300-130-4820/- Min. & Max. emoluments Rs. 4033/- & Rs. 7049/- respectively	One	Unreserved	Chartered/ Cost Accountant	2-4 years' post-qualification experience	32 years
3.	**Assistant** - Calcutta in non-management Gr. 'V' Scale - Rs. 1475-50-1675-55-1895-60-2135-65-2785/- Min. & Max. emoluments Rs. 2819/- & Rs. 4843/- respectively	For future vacancies	As per Govt. directives	B.Com. (Hons.)	Preference will be given to experienced candidates.	28 years

* Relaxation in age and experience would be given to SC/ST candidates as per Government directives.

Other fringe benefits include Medical Assistance, Conveyance Reimbursement, LTA, Provident Fund, Gratuity, Ex-gratia, PLI, Superannuation Benefit and Post-retiral Medical Benefit, etc. as per rules of the Company applicable to comparable categories of employees.

Candidates working in Govt./Semi-Govt./PSUs should apply through proper channel.

Outstation candidates called for interview will be reimbursed travel cost

Management may at its sole discretion relax the eligibility criteria in exceptionally deserving cases.

Please apply with **complete bio-data within 15 days** from the date of this advertisement superscribing the envelope with the post applied for to the **Company Secretary & DGM (CA), IBP Co. Limited, Gillander House, 8, Netaji Subhas Road, Calcutta-700 001.**

(A member of the IBP-Balmer Lawrie Group of Companies)

OIL IS NOT GOING TO LAST MUCH LONGER — USE IT WITH WISDOM

ASP/92

FOR THE INDIAN OPERATIONS OF A AMULTINATIONAL COMPANY HEADQUARTERED IN GERMANY WHICH IS A WORLD LEADER IN ITS FIELD OF HIGHLY SOPHISTICATED SPECIALISED MACHINERY-WHICH HAS APPLICATIONS IN VIRTUALLY ALL FIELDS OF INDUSTRY AND PLAYS A CONSIDERABLE ROLE IN PROCESS TECHNOLOGY.

THE COMPANY HAVING MAMMOTH PLANTS AND MARKETING OFFICES IN SEVERAL MAJOR COUNTRIES OF THE WORLD OFFERS TREMENDOUS GROWTH OPPORTUNITIES FOR YOUNG PROFESSIONALS WHO WOULD BE SENT FOR SPECIALIZED TRAINING ABROAD WHENEVER REQUIRED.

THEY REQUIRE AT DELHI:

PROJECT ENGINEERS

★ B.E. Mechanical with 3-4 years experience in **Project Planning and Execution.**

★ You would be responsible for the entire gamut of Project Engineering, identification and negotiation with consultants and vendors, sourcing and procurement of equipment & boughtouts; supervising of site erection / fabrication.

★ Should be conversant with STRICT Quality Control NORMS and practices.

INSTRUMENTATION ENGINEERS

★ B.E. Instrumentation / Electronics with 2-3 years experience you would be responsible for identification, selection and inspection of **Process Control equipment** for various ongoing / forthcoming projects; Installation, calibration and maintenance of Process control equipment as well as trouble shooting.

SERVICE ENGINEERS

★ B.E. / Diploma Mechanical / Electrical or Marine Engineering with atleast 3 years experience.

★ You would be responsible for Installation / Commissioning and trouble shooting on high speed rotating equipments.

★ Though on the Job initial training will be provided, ability to work with own hands is a must.

★ The incumbents should possess a high achievement graph, excellent communication skills and willingness to travel extensively.

Excellent Salary + Perks and allowances will be offered to attract the best talent.

Write quoting 10592 & position applied for to Ms. Jyoti Diwan.

THE SEARCH HOUSE
(A division of JSD Search House (P) Ltd.)
1112, ARUNACHAL, 19, BARAKHAMBA ROAD, NEW DELHI-110 001. Ph.: 3713144, 3711590
LEADERS IN EXECUTIVE SEARCH

WE SHAPED OUR TECHNOLOGICAL LEADERSHIP.

Somany Group consists of Hindustan Sanitaryware & Industries Ltd., Hindustan National Glass & Industries Ltd., Somany Pilkington's Ltd., Soma Textiles & Industries Ltd etc., with a turnover of Rs 400 crores. The Group has majority of its products as market leaders in India with sizeable exports. They have ambitious plans for expansion. The Group is looking for **SENIOR EXECUTIVES** who would be required to formulate and execute future plans of the Group. The Group is open for acquisition, as part of strategy. The Group's thrust areas for new projects would be in the fields of :

- Agro based products
- Cement
- Chemicals
- Fertilizers
- Steel
- and other 100% EoUs

For the Corporate Planning Division based at **Delhi,** they require :

SOMANY-PILKINGTON'S LIMITED

HINDUSTAN SANITARYWARE & INDUSTRIES LIMITED

NOW LET'S SHAPE OUR FUTURE TOGETHER.

VICE PRESIDENT
DIVERSIFICATION

He should preferably be an Engineer and must have an MBA from an Institute of repute. He should have a minimum of 15 years of experience in Industry, out of which atleast 5 years should have been in Corporate Planning/Projects/Diversification. He must have experience in conducting techno-economic feasibility studies and market research work. He should have previously dealt with Government Bodies, Financial Institutions and Commercial Banks. International exposure would be an advantage. Age should be less than 45 years.

MANAGERS
PROJECTS

Candidates should be Graduate in Mechanical/ Chemical/Agro Engineering. Post-Graduate qualification in Management would be preferred. Should have atleast 7/8 years' experience in Project Planning/ Diversification. Candidates presently in project execution but with previous background of project planning may also apply. Age should be less than 40 years.

MANAGER
CORPORATE FINANCE

Should be a CA/MBA from an Institute of repute. Should have atleast 7/8 years' experience in all financial aspects. He would be required to handle the Group's project financial activities which will include co-ordination with Financial Institutions,Government Bodies and Commercial Banks. He would also be required to assist the Group Companies in their Corporate financial matters. Exposure to International Financial Institutions/Banks would be an advantage. Age should be less than 40 years.

Remuneration would be as per industry standards. Interested candidates may please apply giving full Bio-Data together with a passport-size photograph within 10 days to :

T Narasimha Rao
Management Consultant

N R Associates
G-5 Srinivasa Towers,Begumpet
Hyderabad - 500 016
Tel (0842) 212753
Fax (0842) 825167

SOMANY ENTERPRISE
Making technology pay

SOMA TEXTILES & INDUSTRIES LIMITED

HINDUSTAN NATIONAL GLASS & INDUSTRIES LIMITED

R K SWAMY/BBDO NRA 789 92



CAREERS ARE BUILT IN SUCCESSFUL ORGANIZATIONS.

Premium careers in Foreign Exchange, Money/Securities Markets, Investment Management, Transaction Banking, Merchant Banking, Corporate Finance and other allied banking businesses and services.

Citibank, one of the world's largest banks, has been operating in India for the last 90 years, providing sophisticated financial services.

Citibank now offers young professionals the opportunity to share in its growth in the country.

The potential Citibanker would be:

*Under 30 years of age.

*Either a recent graduate or with relevant work experience of 3-5 years.

*Outstanding in terms of academic credentials, with either a post graduate, ACA or MBA from a premier management institute in India or overseas.

*Ambitious, a creative self-starter and a team player.

Careers with Citibank are extremely rewarding, both professionally as well as financially. With a history of attracting, developing and retaining the best talent, Citibank offers unique and unparalleled national and international career opportunities for dynamic young men and women.

If you are interested in a career with Citibank, send in your detailed resumé at the very earliest, to: Ganesh Shermon, Vice President, HRD, Citibank, N.A., Human Resources, "Bhaktawar", Floor 5, Nariman Point, Bombay 400 021.
Tel: 287 0842. Fax: 285 0848.

CITIBANK®
Global Finance

2897

INDIAN SEAMLESS

This is not a job advertisement. This is an invitation to join a very special, very exclusive team.

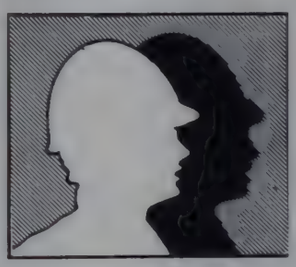
The most versatile manufacturer of seamless tubes. Pioneer exporter. Manifold growth of turnover and profits. An industry legend in continuous product upgradation. Now diversified into steel, engineering, financial services, small aircraft. All set to take the Group turnover past Rs. 5000 million by the mid-nineties.

We, the professionals at Indian Seamless have made these possible. And there will be more. For, we are bright, hardworking, open, ambitious, result-driven: topclass professionals, young or veteran, each one of us.

We wish there were more of us. There is so much to achieve. We need:

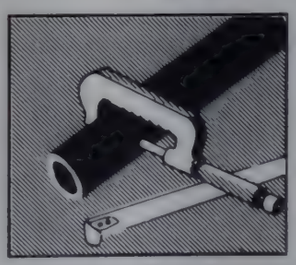
CHIEFS OF DIVISIONS OF MANUFACTURING, QUALITY ASSURANCE, TRAINING AND RESEARCH & DEVELOPMENT.

We need sound technical managers with 10-20 years experience in heavy engineering industry to head our teams in manufacturing, in Quality Assurance, in Research and Development and in Training at the Seamless Tube Works of our Flagship Company at Ahmednagar, 120 kms. from Pune.



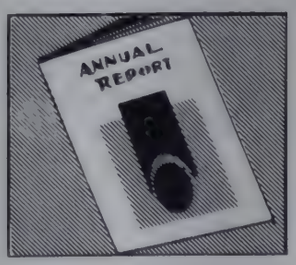
STEEL TECHNOLOGISTS

We need professionals with 3-10 years experience in operation/maintenance/process control/quality assurance in a modern steel mill with UHP, EAF, LF/VD, CCM and Rolling Mills. For our steel venture, to go into production next year, at Jejuri, 50 kms. from Pune.



PROFESSIONALS IN FINANCE AND COMPANY LAW

We are looking for senior professionals who will give leadership to our teams of financial management and Company Law Administration at the Corporate Headquarters of our Flagship Company at Pune.



MERCHANT BANKING, OTC EXCHANGE DEALERSHIP, ASSET-FINANCING, BILL DISCOUNTING

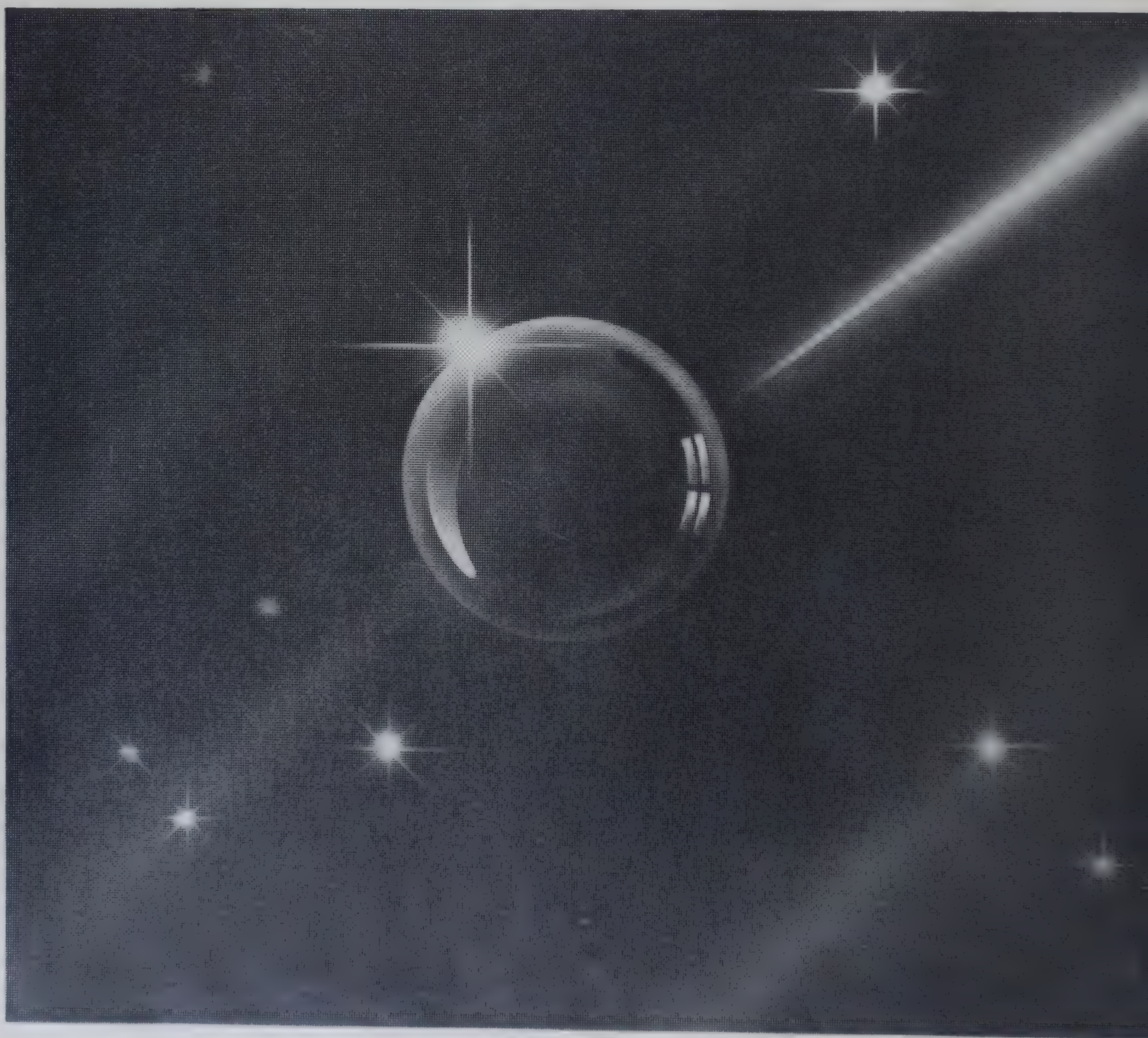
For our Financial Services Company in Bombay, bright young MBAs in Finance and Marketing (and/or C.A.'s) with 3-5 years experience, to take charge of the respective Divisions.

Please write in confidence to :

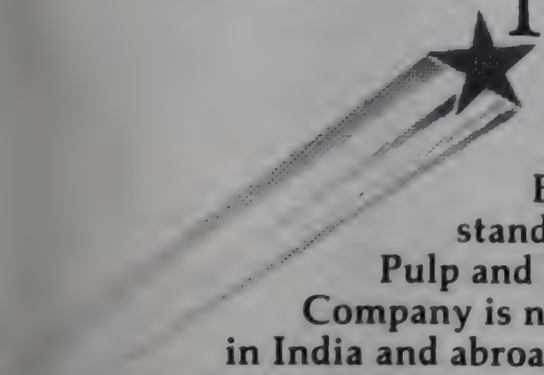
Executive Asst: (HRD),
The Indian Seamless Metal Tubes Ltd.
6E, Ramabai Ambedkar Road,
Pune 411 001.

PRESSMAN

The Mission...
The Vision...



The Opportunity...



Orient Paper & Industries Ltd., is on the threshold of expansion in a big way. Backed by in-house expertise it has set high standards in activities like Air Pollution Control, Pulp and Paper, Cement and Construction. The Company is now expanding and diversifying its activities in India and abroad and is looking for very senior personnel including a very strong middle management cadre (MBA's). The positions offered for its engineering division—Orient Engineers are as follows:

Director Projects

For developing, implementing and entifying new projects. Should be 1st ass Engineering Graduate with at least venty years experience. The assignment vers Project Management functions cluding identification and execution of able projects, including initiating chno-economic studies. Age 45 years d above.

Project Managers

MBA's, CA's or Engineers around 35 ears of age with at least 10 years xperience and excellent track record. hey will primarily assist the Director rojects for identifying new projects nd overseeing their successful nplementation.

Executives

Young, dynamic,result-oriented rofessionals,between 24-30 years. IBA's or Engineers (IIT) or CA's with at ast 2-3 years experience.

Financial Comptroller

Areas of responsibility will be primarily independent handling of the Finance and Accounting functions, including budgeting, maintenance of MIS, finalisation of accounts, establishing financial policies and liasing with banks and financial institutions etc. Will also be responsible for formulation and implementation of sound financial strategy to bring about cost effectiveness.

Candidate should be Chartered Accountant/Cost Accountant with at least 15-20 years experience.

Remuneration package for all the posts will not be a limiting factor for the right persons.

Assignment may involve postings in India or abroad.

Apply in strict confidence giving a brief personal and career resume along with a passport size photograph within 15 days to :

President

Orient Engineers

(Proprietors : Orient Paper & Industries Ltd.,)
Birla Building (13th Floor)
9/1, R.N. Mukherjee Road Calcutta 700 001

CC/OE-5/92

Striving For Excellence

Analytic

A fast growing, professionally-managed multi-unit, multi-locational Company with excellent track record and prestigeous foreign collaborations has retained our services for selection of bright, young professionals. The Company provides challenging and stimulating work environment, excellent career growth and attractive salary and perquisites including accommodation, if required. **Posting: Bangalore / Bombay / Calcutta / Delhi / Madras.**

ASSISTANT MANAGER – PRODUCT DESIGN & DEVELOPMENT

Should be a first class Post Graduate in Mechanical Engineering/Machine Design with atleast 5–7 years experience in product design, development and testing of automobile product / aggregates in an automobile industry. Applicants should be familiar with the latest developments in design of automobile products & aggregates and must have thorough practical knowledge in the use of different engineering materials.

QUALITY ASSURANCE ENGINEERS

Should be a First Class Mechanical Engineering graduate with 6 / 8 years experience in the quality functions of **engineering / automobile** industry. Must have very good knowledge /experience in development and implementation of quality manual encompassing the modern quality assurance techniques of SQC, SPC, FMEA,CWQC and ISO 9000.

QC INSPECTORS/ PROCESS CONTROLLERS

Should be first class DME with 3 / 4 years experience in inspection of **in-house** manufactured items and of **bought-out** sheet-metal pressings, mechined parts, plastic, die cast and rubber items in an **engineering** industry.

IMPORT / EXPORT EXECUTIVE

Should be a graduate with 6 / 8 years experience in handling import / export functions in an engineering industry. Should have extensive and thorough knowledge of the import-export policies and procedures, foreign exchange regulations, customs policies, tariffs and clearances.

GRADUATE ENGINEERS

Mechanical / Metallurgy / Electrical / Electronics

Production / Assembly / Fabrication / Tool-Room / Quality Control / Maintenance / Projects / Design / Purchase

Candidates with **excellent** academic track record all through and **2 / 3 years experience** in **light engineering** or **automobile** industry need **only** apply. Besides sound technical sense and effective communication skills, candidates must display potential for leadership and growth. Foreign travel may be necessary at appropriate time.

Please apply in strict confidence within 14 days mentioning the position applied for and **location preferred** on the envelope and resume.

Tushar Basu, Director

Analytic Consultancy Bureau Private Limited

P-34, Block-H, New Alipore, Calcutta-700 053, Phone: 49-4550 / 45-8169

SENIOR VICE PRESIDENT/VICE PRESIDENT FOR CAD CENTRE

A very well diversified, fast growing, Delhi-based industrial group is setting up a Design Consultancy Organisation as a Joint Venture Company with a reputed foreign Consultancy organisation/s. The new company will provide all required engineering services, from concept to commissioning of hydropower projects, water/waste-water management, steel plants, cement plants, environmental engineering projects, transport engineering projects and hotels, to mention a few.

For this purpose, a large self-contained Computer Aided Design Centre with latest Intergraph and Sun workstations, plotters and scanners is being established at Delhi.

The group desires to appoint a Senior Vice President/ Vice President for this important venture.

The incumbent shall establish clear CAD objectives, monitor the system to achieve the objectives, coordinate resources and shall be responsible for effective and optimum use of the CAD centre and for timely fulfilment of schedules/commitments.

We are looking for a dynamic, result-oriented person with very good knowledge of CAD systems and willing to take up challenging assignments.

FIVE YEARS OF EXPERIENCE IN A SIMILAR POSITION WITH A DESIGN CONSULTANCY ORGANISATION OF INTERNATIONAL REPUTE IS A MUST.

Compensation package shall be at par with international standards.

Please apply within 10 days indicating convenient time for personal discussions, to :

Box 773, Business World, 6 Prafulla Sarkar Street, Calcutta-700001

RASHTRIYA ISPAT NIGAM LIMITED
VISAKHAPATNAM STEEL PLANT
VISAKHAPATNAM

Employment Notification No. - 3/92

VSP, a 3 million tonne integrated Iron & Steel Plant, now commissioning its II Phase units, needs professionals for the following senior positions :

(A) GENERAL MANAGER (MATERIALS MANAGEMENT) :

Pay Scale : Rs.7250-200-8250/- (E-8)

(B) DEPUTY GENERAL MANAGER (PERSONNEL) :

Pay Scale : Rs.6500-175-7725/- (E-7)

(A) GENERAL MANAGER (MATERIALS MANAGEMENT) :

The incumbent will head the Materials Management function consisting of Purchase, Stores, Inspection and Transport & Shipping Departments.

The candidate should have a Degree preferably in Engineering. Professional Qualification in Materials Management/Business Administration/Law will be an added advantage. Knowledge and experience in Computers on Materials Management is essential.

We are looking for a dynamic and result oriented professional, possessing around 22 years experience in Materials Management function either in an integrated Steel Plant or any other large sized industrial establishment, of which atleast 5 years should be in a senior position. Applicants from PSUs or other Govt. Departments should have spent atleast one year as DGM in E-7 grade i.e. Rs.6500-175-7725.

(B)DEPUTY GENERAL MANAGER (PERSONNEL) : The candidate should possess a Bachelor's Degree in any discipline, with Post-graduate Degree/Diploma in Personnel Management/Industrial Relations/labour Welfare/ Business Administration with specialisation in Personnel Management, from a recognised University/Institution. In addition those having a degree in Law will be given preference.

The candidate should have around 18 years experience in Executive/Managerial positions (of which atleast 3 years in a senior position equivalent to the post of Asst. General Manager in E-6 grade i.e. (Rs.6250-175-7475) in a labour intensive industrial undertaking, preferably an integrated Steel Plant. He should possess thorough knowledge of labour and Industrial Legislation and adequate experience in Industrial Relations covering negotiations with the trade unions, disciplinary methods, handling conciliation/adjudication proceedings etc. and employee welfare. He should be able to assist the top management in the formulation and implementation of Human Resources Strategy, aimed at furthering and stabilizing the efforts at building a productive work culture.

Besides basic pay in the above scales of pay, the posts carry Industrial DA and benefits like Company House/House Rent Allowance, free Medical Benefits, Leave, Leave Encashment, leave Travel Concession, Reimbursement of Local Travel Expenses, Canteen Subsidy, advance for House Building and Purchase of Vehicle, CPF, Gratuity etc.

Application on plain paper furnishing particulars like (i) Name, (ii) Date of birth, (iii) Present & Permanent Address, (iv) Qualifications (examination passed from Matriculation onwards) and (v) Experience related to the post along with details of pay drawn etc. may be sent to Dy. Manager (Personnel), Executive Recruitment Section, Administration Building, 'B' Block, Rashtriya Ispat Nigam Ltd., Visakhapatnam Steel Plant, Visakhapatnam 530 031, within 15 days of the publication of this notification.

Candidates called for interview will be paid single 1st Class to and fro railfare by the shortest route.

Wanted

Training and Development Manager

THE COMPANY We are a large multi-national company embarking upon a massive diversification programme. Our expansion plans have resulted in a vacancy in our Human Resources Department.

THE APPLICANT The applicant must be a graduate from a recognised institute. A post-graduate diploma in personnel management and experience in analysis will be added advantages. He should be between 30 and 35 years of age, with a minimum of 5 years' experience in HRD, and must be qualified to independently undertake training and development programmes for individuals within our organisation. The successful candidate will be posted in New Delhi / Calcutta.

CAREER The selected candidate will have excellent career growth prospects. Starting salary will be commensurate with qualifications and experience, and the compensation package will include leave travel benefits, medical and house rent allowance as per the rules of the Company.

Applications should be accompanied by a self-addressed, stamped envelope along with a non-returnable passport-size photograph. Please superscribe 'APP-TDM' on the envelope and send in your resume within 10 days to the Advertiser,

Box 772, BusinessWorld, 6 Prafulla Sarkar Street, Calcutta-700 001

ELECTROSTEEL CASTINGS LIMITED is a highly profitable Industrial Group with factories at Calcutta, Madras and Ghaziabad, for C.I. Spun Pipes/Grinding Media / Steel Castings. The Group Turnover of Rs.70 Crores is likely to increase quickly as a result of the ongoing expansion and diversification activities & emphasis on exports. The Group wishes to engage the following personnel :

General Manager (Exports) at Calcutta
Export Manager at Calcutta
General Manager (Sales) at Ghaziabad
Sales Manager at Ghaziabad

Engineering / Science Graduates with an MBA / IIFT Qualification & the requisite experience will be preferred. Salary commensurate with qualification and experience.

Please write within ten days to :

Director (Operations)
Electrosteel Castings Ltd
4 B.B.D. Bagh (East)
Calcutta 700 001

PRESSMAN

Beating Darkness – All Over.

From the makers of automotive lighting, ***Autolite (India) Ltd.,*** *comes a bright new name to light up your life...*
AUTOPAL INDUSTRIES LTD. *– A company that throws new light to re-define excellence in the range of Autolighting and General Lighting... by setting up a new unit at Sanganer, Jaipur to manufacture Halogen bulbs with an installed capacity of 27 lac pcs. p.a. and another unit at Gurgaon to manufacture 9 lac pcs. p.a. of Auto Head Lamps.*
And in the process, invite you to share the limelight that promises to be ever bright.

PUBLIC ISSUE OF 20,55,000 EQUITY SHARES OF RS.10/- EACH FOR CASH AT PAR AGGREGATING RS.205.50 LACS

ISSUE OPENS ON JUNE 3, 1992

Lead Managers to the Issue

PNB CAPITAL SERVICES LIMITED
(A wholly owned subsidiary of PNB)
Jeevan Bharti, Tower-II Level-3
Connaught Circus, New Delhi-110 001

CANBANK FINANCIAL SERVICES LTD.
(A wholly owned subsidiary of Canara Bank)
Capital Markets Group
1-E Vandhna Building,
11, Tolstoy Marg,
New Delhi-110 001

ISSUE HIGHLIGHTS

* Promoted by Autolite (India) Ltd. an existing dividend paying Company with an excellent performance track-record.
* Range of products includes Halogen Lamp and Head Lamp.
* Low gestation — Commercial production to commence in June '92 and Oct. '92 at Jaipur and Gurgaon units respectively.
* Established marketing network of the Promoter Company.
* Demand for the company's products in the domestic market according to a market study initiated by the company.
* Income Tax benefits under Section 80L, 80M and Wealth Tax benefits.
* Easy Liquidity — Listing at Bombay, Calcutta, Delhi and Jaipur Stock Exchanges.

RISK FACTORS

* The project cost has been determined after estimation of present prices and costs and with adequate contingency provisions. However, the cost of the project may change due to unforseen circumstances. * The Company forsees competition in the domestic as well as international market which is normal and prevalent in every industry. However, promoter's vast experience in the industry will help them in countering competition and marketing the products successfully. * Approximately over 40% of the raw material contents are imported. Any exchange rate fluctuations, and change in custom duty etc. may affect the profitability of the project. * Company is yet to obtain the power sanction for both the units. * Company is yet to obtain the NOC from Pollution Control Board for both the units. * Tax benefits to the Company and to the members are subject to the changes suggested by the Finance Bill 1992.

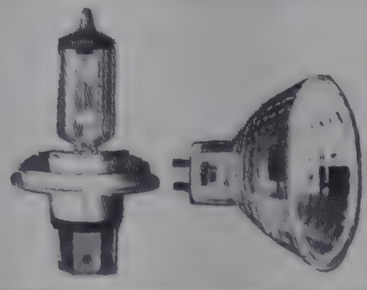
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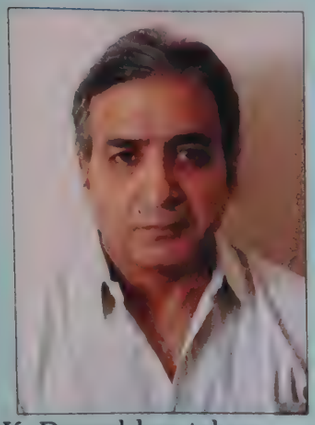
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Lighting up New Horizons...





S.K. Duggal has taken over as managing director of Gujarat Communications & Electronics.



Sudhir Gupta has taken over as sales manager of The Oberoi Grand.



H.L. Sawhney has taken over as general manager (planning) of State Bank of India's Chandigarh circle.



C. Rao Kasarabada has taken over as chairman & managing director of Electronics Corp of India.



Zaheer Shah has been appointed general manager (menswear) of Coats Viyella, UK.



Hero J. Chuganee has been appointed chairman of the All India Manufacturers' Organisation.



Ravi K. Iyer has been appointed vice-president of Apple Asset Management.



K.C. Mehra has been appointed senior executive director (operations) of Tata Steel.



P.L. Jalan has taken over as executive director of Modern Suitings.



N. Reguraj has been appointed president of The Tool & Gauge Manufacturers' Association .



Anil C. Kilachand has been appointed vice-president of The Tool & Gauge Manufacturers' Association.



Patrick Machado has been appointed marketing controller of the Datamatics group of companies.

It is no longer a dormant problem.

EXECUTIVE INSOMNIA

I haven't slept a wink for the past 60 nights. My eyes feel heavy, my head is aching. But I'm helpless. There is nothing I can do about it. Pills, liquor — I've tried them all. I can't tell you how I long to sleep.

I try and get exhausted in the office, hoping I'll crash out on my bed as soon as I reach home. I read for hours, tiring my eyes. I drag myself for long walks in the middle of the night, keeping my fingers crossed that I'll fall asleep simply out of sheer fatigue. Nothing happens. Each time I close my eyes, all my problems seem to engulf me. My wife has lost her job. My long-awaited promotion has fallen through. An incompetent junior has superseded me. My life has suddenly lost all its meaning.

The other night I decided to kill myself. I am not afraid to die. At least, the insurance money will see through my sons' education, while the provident fund and gratuity will provide enough for my wife. But my wife caught me out next morning. She found 100 strips of a sleeping pill under my pillow. I broke down and confessed.

As Vijay Malhotra (name changed) speaks, he frequently hides his face in his shaking hands and weeps. The 56-year-old director of a leading Bombay-based industrial house began to have sleepless nights ever since his wife's company shut down two months ago. His family doctor diagnosed it as insomnia and asked him to consult a psychiatrist. "I couldn't believe my ears," says Malhotra. "Everyone suffers from insomnia some time or the other. How can it be a disease?"

Malhotra's disbelief is hardly surprising. Rarely is insomnia considered a serious illness. For most upwardly-mobile executives today, it is a status symbol, something to discuss at cocktail parties and informal get-togethers.

Yet, as many of them are beginning to realise, there is a terrifyingly thin dividing line between a normal lack of sleep and insomnia. The squalls of sleeplessness can easily turn into a full-blown storm, hovering around for days and even months, causing unending agony to the victim, finally leading to serious psychiatric problems. "Sleep deprivation over a prolonged period can lead to major problems like depression, psychosis and hallucination," says professor of psychiatry at Bombay's Seth G.S. Medical College & Dr R.N. Cooper Hospital Vihang Vahia.

Disturbingly, over the past decade, the number of executive insomniacs in the country has burgeoned. Though no survey has been conducted for insomnia alone, psychiatrists say that one out of every 10 cases of depression among executives today begins with insomnia. "Last year, I received about 20 cases of executive insomnia. Five years ago, the number was not more than five or six," says Bombay-based consulting psychiatrist L.P. Shah.

Worse, insomnia no longer strikes only its traditional victims — executives between 35 and 55 years of age. According to psychiatrists, the past decade has seen it engulf even those in their late twenties.

Among its victims is 28-year-old Lalit Mohan who, till recently, was



Illustration by Bhaskaran

his advertising agency's hottest executive in New Delhi, grabbing every assignment that came his way. The strain caught up with him when he was promoted to branch manager. He was expected to carry out a certain quantum of work but was not given adequate staff. The result: long hours spent in office and eventually shortfall in targets. "I felt like a clock with a run-down battery. Night after night I would stare into the ceiling, feeling sad for myself and thinking I was not up to the mark," recalls Mohan.

The plunge into prolonged wakeful nights can be triggered off by a variety of reasons: long hours in office; role erosion at work; and incompatibility with one's spouse as a result of pressures at the workplace. For some, even a small event like missing the week's deadline can spark off insomnia.

For Lokesh Kumar (names of all patients have been changed), a sales manager with a Bombay-based multinational, the trauma began when he started falling short of his targets six months ago. "Around last October when my boss escalated my projected sales targets, I just couldn't cope with the strain. I started losing my sleep wondering what would happen to my promotions," says Kumar.

DIFFERENT KINDS

Clinically, psychiatrists identify three main kinds of insomnia: difficulty in getting sleep; broken or intermittent sleep; and waking up prematurely, say around 2.30 or 3 a.m. "Early awakening often leads to weeping spurts and attempts at suicide because at that time of the night you don't know what to do with yourself. You feel utterly worthless," explains head of the psychiatry department at New Delhi's All India Institute of Medical Sciences (AIIMS) D. Mohan.

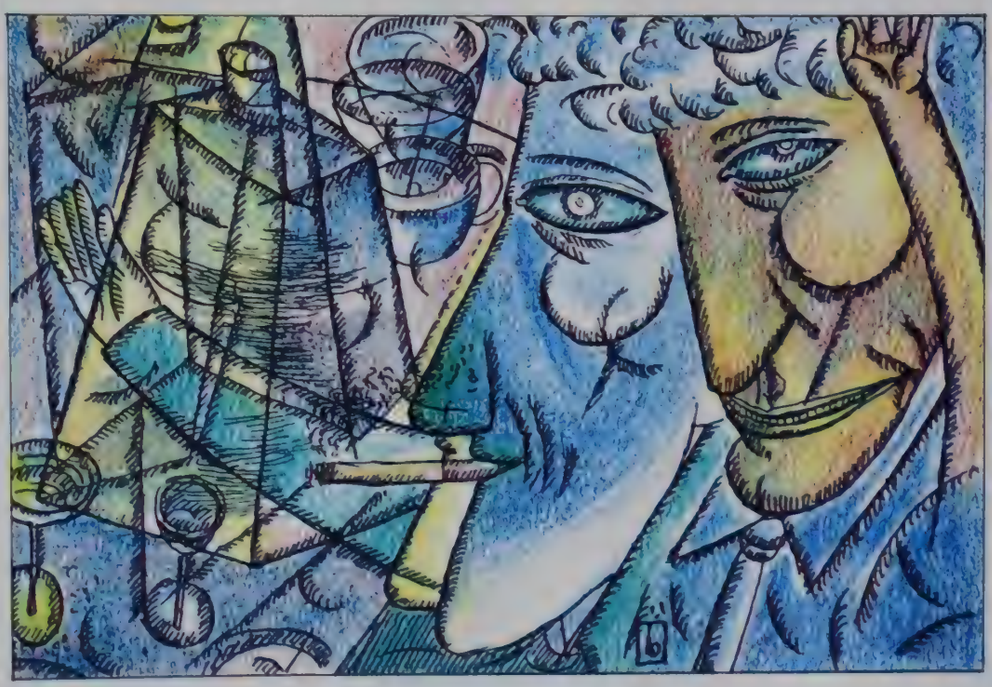
However, there is yet another kind of insomnia. This involves a person getting excessive dreams and turning fearful. As happened with Rakesh Kapadia, a 35-year-old garment exporter in the capital. A year ago, Kapadia met with an accident which immobilised him for some months. His competitors grabbed this opportunity to eat into his business. Fully aware of all this but helpless, Kapadia turned into an insomniac. In the middle of the night, he would wake up sweating profusely, with dreams of a house collapsing on him, burying him under the debris. "It was so bad that even now I cannot get peaceful sleep," confesses Kapadia.

The real reasons for insomnia are still cloudy. Some psychiatrists describe it as a phenomenon with a learned behaviour. People from families with irregular sleep schedules are more prone to the illness. According to other psychiatrists, however, it arises when one broods over something that is perceived as a threat to one's value systems; or a situation that is perceived as a challenge to professional or personal capabilities; or one that calls for problem-solving or change in lifestyles.

"Loss of sleep could be the only symptom or an integral part of a cluster of symptoms," explains Vahia. Whatever the reasons, one thing is clear: the awareness that sleep is important is slowly gaining momentum, so much so that an international conference on sleep-wakefulness is scheduled to be held in the capital's Hotel Sofitel Surya from 9-11 September this year to discuss the latest findings in sleep research. On the agenda: insomnia.

"The need for sleep is especially felt in countries such as Japan where everybody is in a rat race. Even in India, the importance of sleep is being increasingly recognised," comments V. Mohan Kumar of the department of physiology at AIIMS, who is also actively involved in organising the convention.

In fact, psychiatrists trace the increase in executive insomnia to the late seventies, when sedatives such as Calmpose and Valium began to be sold across the counter for the first time in India. Any executive suffering from the disease would then visit his doctor once in a while and get the drugs prescribed. Then, he would produce the same prescription to buy future doses. "Unfortunately, in our country, such prescriptions are seldom refilled. So, the chemist keeps supplying the drugs on the same prescription for days together and what begins as a legitimate use finally turns into an addiction," says psychiatrist Shah.



Indeed, if not treated early, insomnia can lead to severe depression or even alcoholism. That's what happened to the late Naresh Poddar. When the 32-year-old general manager of a leading industrial house in the capital returned in 1977 after two years of on-the-job training with the group's foreign collaborators, his employers wanted him to handle the upgradation of technology in their plants. The pressure on him was so high that he would spend nights in the factories. To ease the strain and the prolonged lack of sleep, the teetotaller and non-smoker took to drinking. "At the end of the 15 years — which was the time he took to com-

Even before he pays
his rent, his milkman and
the children's school fees...



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plete the project — Naresh had become an alcoholic and a virtual vegetable," recalls his brother Keshav Poddar.

Poddar's employers were still willing to retain him. In fact, they even went to the extent of giving him simpler projects and closing their eyes to time overruns on his tasks. But how long could a man live with a busted liver and brain? When he was finally brought to the AIIMS early this year, it was already too late. The hospital's



clinical report cited severe insomnia leading to alcoholism as the reason for his death.

Poddar's is an extreme case. In most patients, the danger signals show up in the form of excessive smoking, drinking too many cups of tea or coffee and an addiction to alcohol. Explains Shah: "It all begins as a very innocent habit at parties. What the patient experiences is the tranquilising effect of alcohol. But the feeling is shortlived. As soon as the effect wears off, brain cells become overactive and more tension and problems follow. So, he starts drinking in larger quantities. He begins to get himself invited to parties or creates occasions for a drink. As his liquor consumption increases, he develops physiological symptoms like trembling and nervousness. So he drinks more to steady himself. By then, he has finally become an alcoholic, drinking at all times of the day."

In the initial stages, insomnia leads to drowsiness, irritability, restlessness, indigestion and acidity, blood pressure and absenteeism from work. "In some of them, we also find a desire to work for long hours in office, believing that fatigue will get them to sleep," says V. Kumar, consulting psychiatrist at Delhi's Sir Ganga Ram Hospital. "Most often, they take work home," he continues. "In the process, they neglect their families which leads to unhappiness and tension, aggravating the problem."

REMEDIES

The good news about insomnia is that it is curable. The unwritten prescription is a simple one: anybody who is somebody must learn to enjoy his stress. The key word: relax.

As a first step, develop hobbies that help to break away from tensions at the workplace. Some executives take to trekking and mountaineering. Others find an outlet in painting and music. And many take to voluntary social work.

When Ashish Choudhury, the 32-year-old product manager at a Bombay-based multinational, is not charting out marketing strategies for his company, he is quietly ensconced in a corner of his small flat designing games for the mentally retarded. Says Choudhury: "It is a healthy pastime and, believe it or not, it has managed to cure me of my 10-year-old insomnia."

Many doctors prescribe meditation — transcendental or yogic — as an easy way to get over prolonged sleeplessness. In fact, meditation is one of the main exercises practised in most stress management workshops today. Explains Shah: "Just 20 minutes of *shaivasana* every morning can relieve one of a lot of these problems."

As in the case of any other disease, it is imperative to trace the cause of insomnia and eliminate it to avoid complications. If sleeplessness stems from a physical illness, psychiatrists prescribe symptomatic treatment. And if the problem is a psychological one, they resort to counselling and psychotherapy.

Although both drugs and psychotherapy take more than a month to show results, recovery in most cases is dramatic. The mood soars. The mind sparkles. The person bustles with energy. As Lalit Mohan puts it: "It's as if a weight has been lifted from your head. You are able to think once again."

Depressingly, as many as one-third of the patients have recurrent attacks. This makes it important for executives to heed the danger signals and prevent them from getting worse. In a way, psychiatrists say, executives must learn to organise their lifestyles — and to discover the usefulness of the friendly neighbourhood psychiatrist. As Vahia puts it: "Executive insomniacs do not like psychiatric consultation. They tend to ask, if they cannot control themselves, how can they control their companies?"

That's a fogged perception, according to most experts. An executive, however successful he may be, must realise that certain things in life are best taken care of by somebody else. Sleeplessness is one of them.

□ Mahasweta Ghosh Roy

MONEY FOR RUNS

On 12 March, India finally went down Down Under. Even as the Indian bowling attack wilted under Mark Greatbach's onslaught the morning of the crucial tie against the New Zealanders, the World Cup dreams of Mohammad Azharuddin and his men finally started fading away. By evening, it was all over; the next match against South Africa was a mere formality.

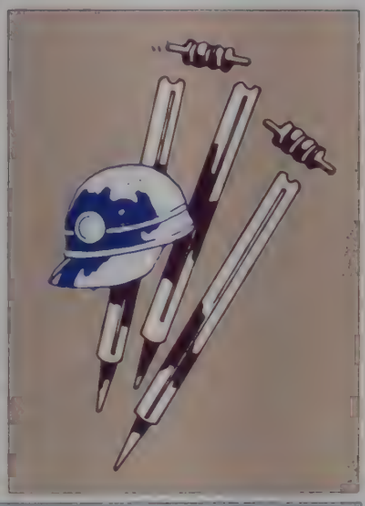
When the Indian team bid goodbye to the top slot, it also had to say 'sayonara' to a substantial booty of big bucks. True, the two cannot be equated; money was the less important incentive during the winter's kangaroo campaign. But in these times of professional cricket, when the cheque book is as important as the cover drive, the monetary loss can hardly be written off.

So what did the World Cup loss mean to the wallet of an average member of the Indian touring party? The tally can be notched up, but only after traversing through the grey area of guesstimation. Consider:

■ The first figure is as straight as a bowler's back drive. Sponsor Benson & Hedges had put up a whopping Rs 13 lakh for the eventual champions. That is what Imran Khan's green brigade finally walked away with. The runners-up went home richer by Rs 7 lakh. Even the semi-finalists got a not-insubstantial Rs 4 lakh. So every member of the team lost out on anything between around Rs 30,000 and Rs 90,000.

■ These figures are, however, the tip of the iceberg. It is what follows back home after a World Cup victory that should excite the more money-minded. It is at this stage that the lucre really flows. Especially in the subcontinent, where cricket is a religion. When the Pakistan team returned victorious from this contemporary jehad, the Islamabad government gave each member of the team Rs 2 lakh and a residential plot. (Of course, Imran Khan's humane mission of setting up a cancer hospital will also now be on a firmer financial footing.)

There is reason to believe that the Indian team would have roped in much more. Past experience suggests so. After India's own historic victory in the 1983 Prudential Cup, there was no direct gift from the Indian government. But at the very moment of victory, the then chairman of the Board for Control of Cricket in India N.K.P. Salve announced a gift of Rs 25,000 for each member of Kapil Dev's team. And then, when Dev's devils joined hands with singer nonpareil Lata Mangeshkar for an evening of music, part of the proceeds were distributed to the cricketers. The amount: Rs 1 lakh.



And then there were the titbits. Sunil Gavaskar estimates that team members went home richer by around Rs 1.80 lakh on an average. Adjusting for inflation, that would mean around Rs 4 lakh in today's money. Not exactly peanuts.

When the Indian team bid goodbye to the top slot, it also had to say 'sayonara' to a substantial booty of big bucks

■ Besides that, there were the intangibles. For example, the Delhi Development Authority offered the Delhi cricketers priority treatment for the allocation of flats. But many of the much-publicised schemes announced then turned out to be well-planned scams. Ever the iconoclast, Gavaskar has been quick to point out that a large chunk of the organisations who made the various promises or put out congratulatory ads in the papers walked away with free publicity. According to him it is time the myth of the 1983 moolah has to be pricked.

■ But the advertising aftermath of the 1983 victory was a different story. While the more famous, like Gavaskar and Dev, reaped a fair share of modelling money, the others also benefited from the boom in sponsorship and promotion of sporting goods.

Despite the defeat, this time around it may not be much different. "The best way to go about celebrity advertising is to go in for film stars and cricketers. They are currently the only people who have an appeal that transcends religious, linguistic and caste barriers," says Contract Advertising managing director Ishan Raina.

So will the World Cup defeat affect the price of the cricketer? "Of course. As much as a bad film will affect the price of a film star," argues Raina.

But the monetary loss here could be more of an opportunity cost. For, the two most charismatic Indian cricketers, Dev and Sachin Tendulkar, have been hogging most of the advertising limelight. And both of them have come back with their reputations intact. According to cricketing sources, both are still being wooed to promote various products. So it is not a question of how many ads they missed but rather how much more they could have demanded if they had returned as part of a winning team. Any guess is as good as the next. But here's an indicator: the teenage sensation is said to have got Rs 12 lakh to promote a particular product.

Of course, others too could have made some advertising income. Especially Azhar. For him and the rest of the pack, the fact that they could not give competition a run for its money means they are getting no money for their runs.

□ A Correspondent

Indians are making a mark in jewellery.

DESIGNING A FUTURE

Rakesh Khanna is the first Indian to win the prestigious Diamond International Award. He picked up the coveted prize this year.

Neeta Bhonsale is a finalist at the 1992 Argyle International Design Contest.

Laxman Pahuja is also a finalist at this year's Platinum Guild Contest.

Designer jewellery is slowly coming of age. And the stars of the show are today under the arclights; they are all set to make their mark — both in the Indian and the international market. "India can become the world leader in the international jewellery market," says Bhonsale.

Not that the going is as smooth as silk. Says Bhonsale: "We have the potential. What we lack is the drive and opportunities." Concurs Pahuja: "While jewellery designers abroad have a certain status, here we are given no recognition and no encouragement."

But despite all odds, designers are setting new standards and carving niches for themselves. Unlike the designers of the yesteryears who would sit in their workshops and painstakingly create each piece in consultation with the jeweller and within the limits imposed by the customer, today's new breed believes in giving creativity a free hand. "We are artists in our own right and must be given due recognition," says Pahuja emphatically.



BHONSALE & HER WORK: *Sleek and sophisticated*

A partner in the Bombay-based Shobraj Jewellers, Pahuja's initial laurel came when he won the first prize (a $500 scholarship) at a design contest held by the Gemological Institute of America (GIA) in 1990. The second jewel in his crown soon followed: the next year he was joint winner (with Bhonsale) of the India International Jewellery Design Contest organised by the Developing Countries Trade Agency (DeCTA). The same year, his design got an honorary mention in the GIA contest and this year he has been selected as one of the finalists in the prestigious Platinum Guild Contest.

No direction. Winning contests, however, is only the first step. Pahuja's aim is to go international. Says he: "I want to become a trendsetter. I want to design under my own brand and have my own label." He laments the fact that there are no institutions for this line in India and that there is "no direction" to Indian jewellery designing.

"We have a very poor international designing sense and weak manufacturing capability," opines Bhonsale. Twice winner of the India International Jewellery Design Contest, Bhonsale is at present design director with Neogem in Bombay. "It is only after the contests organised by DeCTA that there is some awareness in this line," says she and adds that earlier there were hardly any entries from India, probably due to lack of exposure and competitive skills. But, of late, India's participation has increased. "They (DeCTA) give tremendous support, guidance and exposure to the artists," adds Bhonsale.

Barely three years old as a jewellery designer, Bhonsale is confident of designing items for any market. "Each market has a different style, a different demand and one has to be conversant with the various facets of the different markets." Bhonsale's favourite market



Pix by Solitaire International

is Germany. Says she: "The Germans like sleek and sophisticated settings and don't care much for chunky and shiny designs." The diamond settings in particular, she says, are "very interesting." She is very much interested in designing watches also and for some time was a designer with Titan Watches.

Unlike Bhonsale who is equally keen on designing both for the Indian and international markets, Pahuja is focusing more on the Western market (though he is presently designing for the Indian market too). "Ethnic jewellery is bought only by the small number of Indians abroad," says Pahuja. Sleek and delicate designs suited for nine or 18 carat gold (unlike the more elaborate and chunky designs in 22 carat preferred by the Indian) is what attracts Pahuja. Says he: "Indians buy gold jewellery more for its investment value. But abroad they are more aware of its artistic value."

A free hand. Pahuja designs both one-of-a-kind jewellery as well as for the commercial market. For the former it is largely the super-rich business class that he hopes to cater to since each piece could cost as much as Rs 2-3 lakh or even more depending on the stones used. Since mass-market jewellery does not give scope for elaborate designs due to price constraints, it is in such upmarket and exclusive pieces that designers can give a free hand to their creativity. Says Pahuja: "For such items my main inspiration is the flora and the fauna. For the Western market, I use free hand, geometrical designs. They are more futuristic, innovative and unique — something very different." With a few more awards under his belt Pahuja certainly plans to go places, both at home and abroad.



MAKIM & HER CREATION : *Going places*

A DESIGN BY PAHUJA (INSET) : *Focusing on the Western market*



So does Anila Makim, this year's joint winner of the India International Jewellery Design Contest. Her foray into jewellery designing began with her wedding jewellery. Says Makim: "I did not like any of the designs that were shown to me and so decided to design them myself." With her knowledge of art (she studied textile designing at the J.J. School) and her love for designing, her attempts proved to be very successful and won her praise and admiration — and finally an award.

"Winning this award has opened tremendous avenues for me," says Makim. She is, however, very disappointed that though she and joint winner Manisha Gawad got a lot of recognition and media coverage abroad, in India they were given no credit. "There seems to be some mental block here," says she. "People are very hesitant to venture into new designs and designers are not taken as seriously as other artists here." Makim feels that people are so used to lifting designs from the available catalogues that originality and creativity are viewed with a lot of suspicion and scepticism.

But she, like her fellow designers, is optimistic of the future. "People are increasingly becoming attracted towards the 'exclusive' and are willing to pay extra for it." So next time you decide to splurge on jewels don't settle for any old stuff. Wear a one of its kind — made for you only!



□ Meenu Shekar

FOCUSING ON BOMBAY



A SHETTY PICTURE: *Visual statement*

The typical Bombayite is the archetypal busybee, buzzing from home to work and back, his mind immersed in domestic and office matters, with very little time to stop and take a closer look at his beloved city.

But Gopal Shetty is different; he's constantly staring Bombay in the eye, through the lens of his camera, capturing on film its myriad moods. Shetty, a newsphotographer of some repute, brought his fellow Bombayites face to face with their city with an exhibition of his work, entitled *Bombay Verbatim*. On display were his impressions of the city in the past decade. The manic monsoons, the overcrowded railway platforms, the fetid slums, the soaring skyscrapers — they were all there. Each photograph, a visual statement in itself, reveals a keen insight and understanding of Bombay and its teeming millions.

Shetty has already held a few successful exhibitions abroad; notably, in Germany. He's now looking for some finance to give Indians in other cities a glimpse of Bombay.

ROGUES & RUM

At first glance, it looks like a smuggler's den — a dark room with flashing lights and walls covered with weird graphics and caricatures. Turn to your right and you might find Gabbar Singh staring at you from the wall. Turn to your left and you may just feel "Loin" Ajit tapping you on your shoulders. Look straight ahead and you're eye-to-eye with Captain Hook.

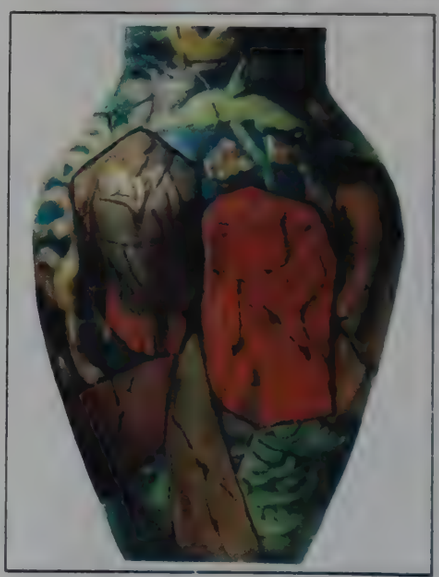
All this, *before* you've downed your first peg. Welcome to "Thugs," one of Delhi's first pubs (not including those attached to five-star hotels, that is). Crawl up the stairs to the first floor of Hotel Broadway in Delhi's congested and heavily commercial Asaf Ali Road and there you are. "My target is mainly the stockbrokers who come to the (nearby) stock exchange and, of course, the 25-year-olds," says Rohit Khattar, the proprietor. In keeping with the pub's theme, Khattar has altered the names of some popular cocktails: whisky sour's called 'Arre O Sambha,' Virgin Mary's been renamed 'Lily don't be silly' and Bloody Mary's referred to as 'Mona Darling.' At Rs 50 a shot, the cocktails aren't too dear, but draught beer's pretty steep at Rs 100 for five mugs.

HOT POTS

Samiran N. Dutta makes pots. Not the sort rural India uses to store water, grain and other valuables. Dutta's work finds its way into the homes of well-heeled connoisseurs and offices of corporate art buffs. After all, who else can afford to shell out between Rs 2,000 and Rs 90,000 for an earthen urn?

The designer potter enchanted Bombay with *Pot Pourrie* (his spelling), an exhibition of his stuff last fortnight. There were some 1,200 pots on display, in virtually every shape, size and colour you can imagine. And, sure enough, the list of buyers comprised the city's extravagant elite — from industrialist Harsh Goenka to financial whiz Mahendra Kotak to Hindi-pop crooner Alisha Chinai.

Dutta will be back in Bombay later this month (18-27 May at the Holiday Inn) after which there will be a small show in Ahmedabad. So, if you're potty about pots, you know where to go.



A DUTTA CREATION: *Exclusive stuff*

AMERICAN DREAM

If you're planning to head for the US this summer, list all the places you're always wanted to visit. Next, ask your travel agent to get in touch with Discover The World Marketing (DTWM). Then, relax while your entire itinerary is taken care of — from air tickets to hotel accommodation.

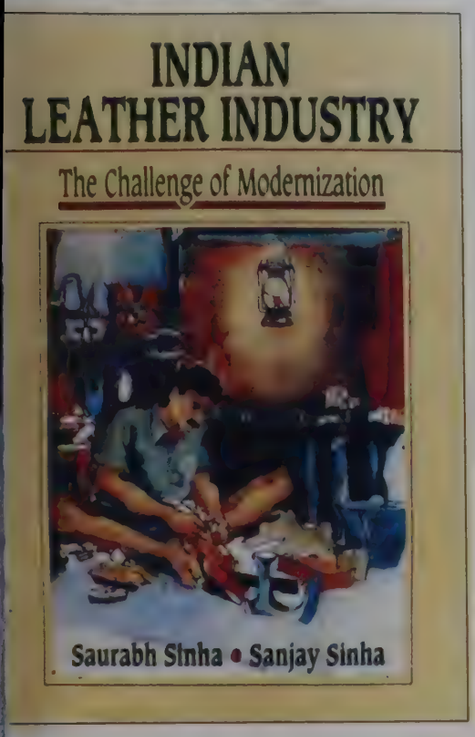
DTWM first set up shop in India in March last year with a unique objective: marketing and hawking American travel products in India. It promotes and sells a host of well-known American airlines and hotel groups to Indian travellers.

Besides booking tickets on USAir, DTWM issues a Discover America Hotel pass and a Discover America car pass. The first entitles four persons to stay in a single room at any of the 500 hotels on its list for one night. The tag: $55. The car pass allows you to pick up a car from any of the Hertz rent-a-car offices and drive around the city. The bill runs to $20 for one day with unrestricted mileage.

A third facility is the Discover America Silver Hotel pass. Meant for those with a yen for swanky environments, this pass gives you entry to any of the 98 participating plush Radisson Hotels in North America, at $99 per room per night. Any takers?



SADDLED WITH CONTRADICTIONS



(By Saurabh Sinha & Sanjay Sinha; Oxford & IBH Publishing Co; 1992; pp 00; Rs 195.)

The leather industry in India is unique in many respects. It is among the country's oldest industries and can boast of remarkable coexistences: modern with traditional, large with small and cottage and highly mechanised with labour-intensive.

Rapidly increasing exports of leather and leather products in recent years have helped the industry attain a position of great significance in the Indian economy. Yet, until quite recently, the leather industry in India was moribund and characterised by the stigma traditionally attached by Hindu society to those working with leather.

Through a combination of historical study and economic analysis, the authors of this book establish that the leather industry exhibits a series of contradictions: a raw material shortage despite a tradition of leather-working; encouraging export performance but low unit value realisation; protection of the small and cottage sectors but little percolation of surplus to the lower levels of production; policy support but anomalies in the import regime; and emphasis on export promotion without a comprehensive long-term development strategy.

The authors also analyse the growth and performance of the Indian leather industry in the context of the current changes taking place in the government's regulatory mechanism. The book shows that not only has government policy been ambiguous but also the growth in leather exports in recent years belies claims. It goes on to identify major obstacles to the sustained growth of the industry and suggests appropriate policy options for future development.

Interesting data. Analyses apart, the book is packed with a lot of data. Some nuggets are interesting and little-known. For instance, 70 manufacturers of saddlery and harness articles, wholly for export, earn over Rs 15 crore in foreign exchange per annum.

Annual footwear output in 1990-91 is estimated at 440 million pairs, of which over half are chappals; the 'modern' shoe-making subsector's marketshare is to the order of 15%. India's rank in world livestock population is number one for cattle, buffaloes and goats.

This study was undertaken in 1989-90 by a research team at Economic Development Associates, New Delhi, of which Oxford alumnus Sanjay Sinha is a founder and Saurabh Sinha a senior research executive. The original exercise had been commissioned by the World Bank as part of its overall policy-oriented sector work programme on Indian manufacturing. (The World Bank influence probably explains why 'z' has been used in words like modernise or industrialise!)

Fortunately for the reader, the book is not as dry and leathery as its subject matter.

NOT JUST A STEELMAKER

(Social Side of Tata Steel; *by S.N. Pandey; Tata-McGraw Hill Publishing Co; New Delhi; 1992; pp 186; price not mentioned.)*

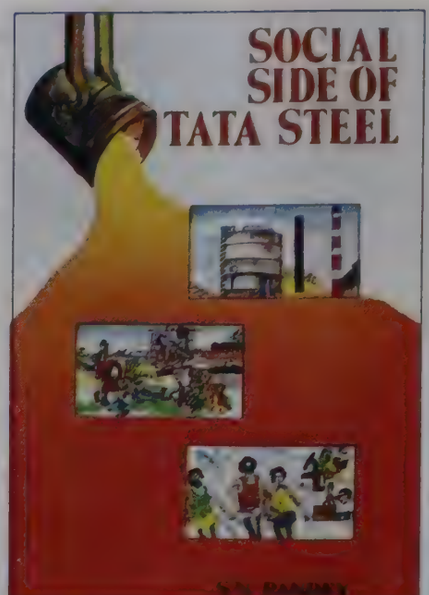
The Tata Iron & Steel Co (Tisco) is a contradiction to the capitalist theory of a successful business proposed by well-known economists such as Milton Friedman. Here is a company which prides itself more on its social, educational, rural and disaster-relief work than on its efficiency in steel-making. Its advertising repeatedly stresses the company's social role and almost apologetically adds at the end, "We also make steel."

Tisco has become a symbol of social concern on the Indian industrial scene. The founder, the celebrated Jamsetji Tata himself laid down the principles of social concern in his testament to his son, which is summarised in the well-known words "Wealth produced by the people must go back to the people." Over the last 86 years since the establishment of Tisco, Jamsetji's ideas have been implemented with steady and forceful vision. Years before it became a legal requirement to do so, Tisco provided full medical service, an eight-hour day, provident fund, housing and various other welfare schemes for its employees. Moreover, the relationship between the company and its union has been so close and cooperative that Tisco has established some sort of world record by being free from strikes for over 50 years.

Here is a book which gives a detailed description in eight chapters of Tisco's commitments to various aspects of the company's social responsibility: community development, rural development, adivasi welfare, health and family welfare, education, promotion of sports and games, disaster relief and environmental concern. In each case, the author provides a historical and statis-

tical account of the company's financial and other contributions to its own social welfare institutions and those run by other agencies. One has only to take a look at the city of Jamshedpur with its broad, clean, tree-lined roads, its steady supply of electricity and clean water, its first-rate, spotlessly maintained, 1,000-bed Tata Main Hospital and compare this with any other town of Bihar to realise what Tisco's social responsibility means to the fortunate people of Jamshedpur.

Primary responsibility. However, the most important aspect of Tisco's social commitment is the fact that it has recognised its primary responsibility to run its steel plant economically, efficiently, productively and with minimum negative environmental impact. Year after year, Tisco has operated at over 100% of its rated capacity and produced increasing quantities of steel for the Indian market. The company has not only contributed to the development of India in the most significant fashion possible but also continuously provided a handsome return to its shareholders. Tisco's concept of its ethical and social responsibility is thus truly complete: the company will look after the interests of all its stakeholders: employees, suppliers, customers, local community, government, nation and, of course, its own shareholders.



It is not surprising, therefore, that the only Indian industrialist who has ever been honoured by the nation with its highest award "Bharat Ratna" is J.R.D. Tata — for 40 years the chairman of Tisco and the very embodiment of all that this great company stands for.

Though the facts in this book are generally well known, the reader owes a debt of gratitude to its author for having put them together in readable form. With his life-time association with Tisco, S.N. Pandey, executive director of Tata Steel in charge of industrial relations, is well qualified to write this book. It is in a sense a continuation of his earlier work *The Human Side of Tata Steel*.

One should not be surprised at the worshipful style in which the book has been written; Tisco easily provokes such attitudes among its own people and others. But one would have wished for a slightly more critical attitude

The book is required reading for all those concerned with the topic of ethical and social responsibility of business.

□ E. Abraham

Abraham is a director at the Xavier Labour Relations Institute, Jamshedpur.

BUSINESS & DHARMA

(Management with Dharma all the way; by S.L.N. Simha; Institute for Financial Management & Research, Madras; 1992; pp 336; Rs 150.)

Professor S.L.N. Simha, founder-director (1971-80) of the Institute for Financial Management & Research (IFMR), joins the lively contemporary debate on the inculcation of ethical value systems in business with this well-produced book. As the following excerpt shows, he steers clear of both profundity and pontification:

The management function calls for a lot of communication, decision-making and leadership. Management is dealing with people who cannot be handled like machines. It is a wholly different and delicate art. So all the strategies, tricks and subtleties of managing human nature have to be called into play to secure satisfactory results.

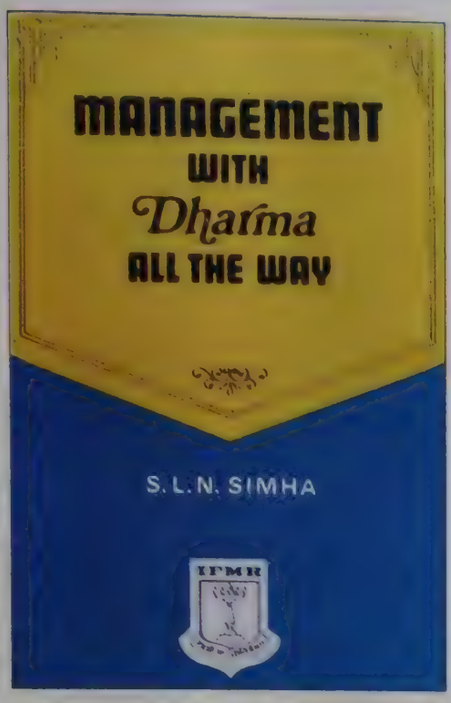
The most important element in management is motivation, not merely motivating others, but what is much more important, motivating one self. The planning system may be good; the organisational pattern may be fine; there may be plenty of management information; and so on. That is to say, all the ingredients for successful functioning may be there and yet the functioning of the organisation may be poor; there could be downright failure. It will be a case of the key persons knowing what ought to be done but their not doing it or doing it in ways that are known to be wrong. They have thus failed to motivate themselves.

Why is this so? What is the missing element or substance or power that comes in the way of the right decisions being taken and implemented enthusiastically and efficiently? Why is motivation of the right sort not present?

What is essential is a motivation of a higher order, something more than making profits and securing position and power, besides pecuniary gains. It is a kind of spiritual urge, power, guide and monitor that functions on its own strength, smoothly and effectively. The importance of this urge has been recognised in all moral and spiritual literature from times immemorial, and in particular India has made an outstanding contribution in this area. That urge, power and guiding power is what we here call *dharma*, which must permeate all activity, endeavours and aspirations, be they business, non-business or personal.

Dharma must constitute the foundation of all activity — planning, organising, producing and marketing. Without the presence of *dharma*, managerial activities will be practically like a body without soul, a near corpse. The organisation may be very good *prima facie*, but without the presence of an attitude of *dharma*, performance may be disappointing. On the other hand, good planning and a sound organisational frame would produce a rich harvest, if it is run with the spirit of *dharma*, which is both a fuel and a lubricant.

The most fundamental aspect of



dharma is the performance of one's duty, appropriate to the situation, as an individual, as a member of society or an organisation, as a citizen of a nation and as a member of the international community. This duty has to be performed with the utmost efficiency, rather excellence, righteousness and joy, to achieve the goals fully, and in a manner that avoids harm to others, including nature. It calls for an attitude of trusteeship, of subjugating personal ends for the benefit of the group, organisation, institution and the community. Thus, *dharma* is the bedrock, support and binding substance, of holding all entities in good shape and strength, for preservation and progress.

Every organisation and institution must therefore build a culture that represents the embodiment of *dharma* in every aspect of its functioning and its relationships — production, pricing, marketing, workers consumers, shareholders, the community in general and the government. Naturally, the lead has to come from the promoters and top managers, and the spirit must permeate every nook and corner of the organisation.

In such an organisation, there is no compromise with quality and goods and services; it has to be excellent. Employees are hired on merit, rewarded equitably without the slightest trace of exploitation, and are given fair opportunities for advancement. There is absolute openness in communication because there is an atmosphere of trust. Consumers are well taken care of not only in terms of the quality of products and services, but in respect of prices too. Profits are earned through enterprises dynamism (in terms of products, process and technology in general) and equity. These profits are shared equitably between workers and shareholders, as equal and honourable partners in the creation of wealth, after the exchequer has taken its share in accordance with the law of the land.

There is an open mind on important matters and decisions are reached through a process of honest and rigorous consultations among all concerned. The individual's role is important, but is rather played down, with emphasis on corporate role in achieving results, so that everyone has a sense of belonging and is motivated to do one's best, in the interests of the organisation, benefiting all in a fair way.

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Back of the book

THAKORE'S PEOPLE

Bombay University's sprawling suburban complex (marred alas by ugly PWD constructions) was the venue of a collection of distinguished historians on 16 April. The occasion: the release of Ruby Maloni's seminal and pioneering book *European Merchant Capital & the Indian Economy: A Historical Reconstruction based on Surat Factory Records (1630-1668).*

"The work is a socio-economic history of the 17th century written primarily for scholars of economic history, people interested in the early history of the East India Co and students of international trade. By a happy coincidence the book is topical because the Indian economy is once again opening up to foreign capital," says Maloni.

Completed over a period of five years with the aid of modest study grants from the Indian Council of Historical Research and the University Grants Commission, the project involved the research of original manuscripts from the Maharashtra state archives and the India Office library in London. "The book should provide scholars insights into western India's political and social structures in the 17th century. It also provides insights into how business and trade was conducted in western India, particularly Surat which was the busiest concourse of ships and shipping lines from different parts of Asia, its financial centre and a clearing place," says Maloni.

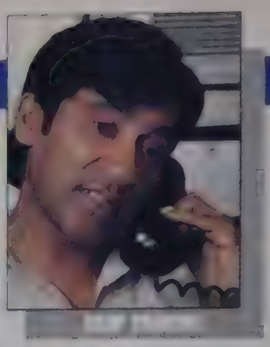
According to Maloni, the indigenous mercantile class, especially the much-maligned middlemen and traders, played a very important role in the monetisation of the economy of western India. "But though some of them acquired the status of merchant princes whose business acumen and wealth were greater than those of the early East India Co, they did not comprehend the power and potential of heavily-capitalised joint stock companies. This failure of insight enabled the East India Co to overwhelm and eclipse them and eventually take over the whole of India. Only recently has the realisation of the growth potential of widely-held, heavily-capitalised joint stock companies dawned on the Indian consciousness," explains Maloni.



THE MALONIS: *Strong academic foundation*

If Maloni's book with its sound research base and refreshing insights is attracting good reviews, it is the consequence of the author's strong academic foundation. A history honours graduate of Calcutta University, she read for her master's in Bombay University (1974-76) and was awarded her doctorate in 1987 for her dissertation on the East India Co's Surat factory records. Currently, Maloni is a lecturer at Bombay University.

Maloni's future plans centre around another scholastic text on a maritime history of western India and the Indian Ocean. "Western India was the hub of international trade in the 17th century. From the



western coast, Indian merchants were actively trading with the Persian Gulf, Red Sea, east African and southeast Asian nations. India has a strong international trade tradition. This makes me optimistic that India can once again become a major trading nation if its mercantile class is given economic freedom," says Maloni.

A strong advocate of women's rights, Maloni lives in south Bombay with her husband Virindra, a garments exporter, and daughters Naina (13) and Priya (10).

Well-known painter Hema Joshi's tenth one-person exhibition of 21 works closed on 30 April after a week of good reviews. The paintings (priced around Rs 7,500-12,000) were executed on paper utilising mixed media such as pastels, inks and water colours. "Most of the canvases were sold," says Joshi. "But the highlight of the exhibition was that most of them have been bought by young people, especially young professionals. It is an encouraging sign that the market for art — and artists — is expanding."

A history and politics graduate of Bombay's Elphinstone College who pressed on to study fine arts at the J.J. School, Joshi owes her development as an artist of considerable renown to the early influences of being born into an artistic family. Her grandfather was an artist who also taught fine arts. Her father, G.S. Haldankar was acknowledged as a portraits master in Maharashtra, and her uncle S.L. Haldankar was a well-known musician who graduated to the honorific of Kala Maharishi. "Given this family background there was a certain inevitability about some of us developing into artists of one sort or the other," says Joshi, one of the four daughters of an Indian Railways official.

Though she graduated from the J.J. School in 1960, the next dozen or so years of her life were spent in rearing her two daughters. While her husband was posted in Calcutta in the sixties, she painted in her spare time and exhibited her works



JOSHI & DAUGHTER: *A pretty picture*

in Calcutta's Chemould Art Gallery. However, her first solo exhibition — of modernist abstracts in oils — was held in Bombay in 1972. Since then Joshi has been painting with vigour and enthusiasm. Her 10 solo exhibitions apart, her canvases have been exhibited all over the world in countries such as France, Germany, Turkey and the US. Within India her work has been exhibited in almost every major city where they have received good notices. "When I am painting, I am on a wonderful high. I enter a new world in which I forget everything else," says Joshi who singled out her Park Bench series of paintings (1988) as her most satisfying work.

A former athletics star of Bombay University who occasionally swishes her badminton and tennis racquets at the Bombay Gymkhana, Joshi lives in mid-town Bombay with her husband Arun, vice-president (personnel) of Cadbury India and her daughter Dhanvanti, a legal officer in Philips India. The Joshis' elder daughter Aditi lives in Canada.

Just back from Argentina where she was an invitee participant in the World Series for Marathon Swimming is India's aquatic ace Anita Sood. In Argentina she competed in a marathon 57-km event and finished ninth with a timing of 9 hours and 10 minutes.

"Participation in the World Series is strictly by invitation. The series consists of 12 races in different parts of the world spaced out over the year. In June, there will be a series of marathon races in Europe, the US and Canada. In November, events are scheduled in Australia and South America. With a little luck I hope to compete in all the dozen World Series races," says Sood, the first Asian to be invited for the World Series. Currently, she is ranked 11th in the world among women marathon swimmers.

Sood will need more than a little luck to participate in the World Series events. Government sponsorship for participants in such events is conspicuously absent and Indian corporate sponsors are unenthusiastic. "I am quite surprised at the reluctance of Indian companies to use the World Series and other marathon swimming events to advertise their products and services. It's much cheaper to sponsor one marathon swimmer than say a cricket or hockey team. Marathon swimming events attract large crowds and much media coverage abroad. That's why companies such as PepsiCo, British Airways, Air Egypt, Nike, Puma and TRY Swimwear sponsor more than one participant each and are very active on the circuit. For exporters, in particular, sponsorship is the cheapest way to advertise," says Sood.

A commerce graduate of Bombay University and currently a director of the Bombay-based Skan Marine Services, a family-owned company in the transport equipment leasing and hiring business, Sood began swimming at the age of eight. A year later, she won her first national level (silver) medal. At the age of 13 she competed in the seniors section of the National Aquatic Championship and won four gold medals (1978). Over the next eight years, until she took to long-distance sea swimming, Sood won every race — from 100 metres to 1,500 metres — in the nationals at least once.

In 1987 Sood swam the English Channel in a time of 8.15 hours — the sixth fastest time (men and women) ever. Since then she has also finished second in the Capri-Naples marathon (36 km) and Manhattan Island race (1988). In 1989 she won the Portsea (Australia) Classic and last year finished 12th in the World Championship at Perth. "If I didn't have to spend so much time running around for sponsorship and passage money, I would have more time to train and improve my performance," says Sood who is completely disillusioned with India's sports officialdom which she says is dominated by "unimaginative clerks risen to unmerited positions."



THE SOOD FAMILY: *Making waves*

A well-read and articulate individual who is "looking carefully" at the healthcare products and tourism businesses for the future, Sood lives in Bandra, Bombay's upmarket suburb, with her parents Suresh and Nergish.

- *The author is a former editor of* Business India, BusinessWorld *and* Debonair

Nand Lal Hamirwasia is a Birla loyalist out and out. He began his career as a management trainee with Jiyajeerao Cotton Mills in 1956. And he is still with the Birlas. The incumbent president & chief executive of the Bangalore-based Sudarshan Kumar Birla flagship Mysore Cements is cementing all linkages for the ongoing expansion and modernisation plans of the company. Says Hamirwasia: "In terms of capacity and output, the group is today No 7 in the industry. We are keen to move into the No 6 slot soon."



HAMIRWASIA: *Concrete plans*

And the strategy...well, Hamirwasia has already worked that out. Mysore Cements will up capacity to 2 million tonnes (mt) by June 1993. As a part of that, grinding capacity of the Damoh (Madhya Pradesh) plant is being doubled and this unit will have a 14 Mw captive power unit. Says Hamirwasia: "We are also in the process of setting up a 1.5 mt cement plant at Raipur in Madhya Pradesh, which will turn out port cement."

Furthermore, Hamirwasia is currently tying up the takeover of a Gujarat-based sick mini cement company which has totted up more than Rs 10 crore losses. Says he: "We are confident of bagging this plant."

That should help him sell more bags of cement.

Anita Garware, wife of Garware Paints chairman Chandrakant Garware, is on a conservation drive these days. What has got her all worked up is the efforts by some builders to develop Bombay's Banganga tank area. Some of the buildings which may make way for newer things date back to the 6th century AD.

"Bombay's history does not begin with it being offered as dowry," says Garware. "Though proud of being Bombayites, we grumble about the authorities not doing enough. Therefore, I convened a conservation committee which brought together all the parties interested in Bombay's welfare and the authorities on one platform."

Garware's drive has paid dividends. The area has been declared a conservation zone by the Maharashtra department of archaeology and the builders have been shown the door. Efforts are also on to make it a tourist attraction. Should the residents of the Banganga tank area say tank you?

GARWARE: *Spearheading a conservation drive*



What's cooking at Thapar House? Well, a cookbook, for one. Vikram Thapar is cobbling together a cookbook on seafood. To be called the *Thapar Waterbase Ltd Seafood Cook Book*, it is scheduled for publication in 1993. Thapar Waterbase is a seafood (prawns, lobsters, oysters, snails) export venture and the cookbook is meant as a gift for company guests. Says Thapar: "Every company hands out gifts to visitors. Why not our own cookbook?"

So what's the menu from the Thapar scion? Not the usual *dal-roti*. For Thapar is hot on Thai and Chinese cooking. Over the years, he has compiled recipes from cookbooks. Drawing on these and modifying them, he is now putting together his latest offering. Well, that sure makes for an appetising schedule ahead. Bring out your chopsticks folks!



THAPAR: *Quite a plateful*

ir Customer Portrait: Mina & Ravi Chawla, Fashion Designers, New Delhi.



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THE GREAT MANAGERS FAMINE

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I HAVE DONE NO WRONG

— Harshad Mehta





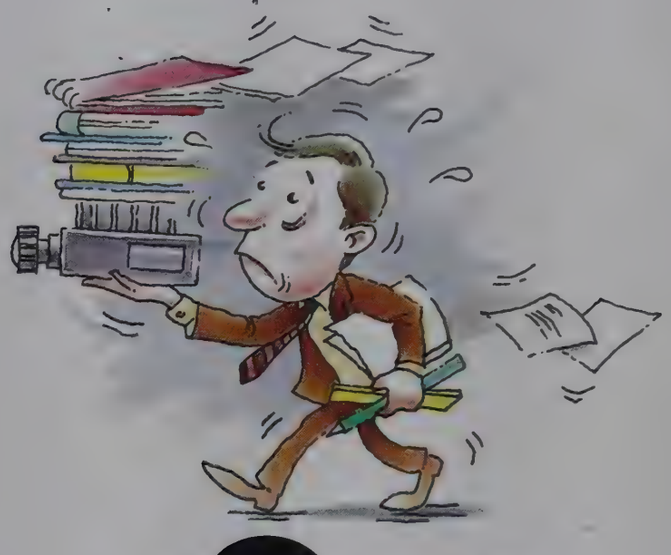
NATIONAL HOUSING BANK HAS BEEN RAPED

— M.J. Pherwani in an exclusive interview two days before his death

THE BANK STING

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BUSINESS QUOTES



I was a votary of communism, then socialism and of capitalism afterwards. Now I am a believer of realism.

Tata Steel chairman Russi Mody, quoted in Sunday.

(Harshad) Mehta has perhaps mastered the art of making profits without spending his own money.

Delhi stock exchange president Harish Bhasin, quoted in Business Today.

The relationship between a broker and the stock exchange is like that of a husband and wife.

Jaipur stock exchange president K.L. Jain, quoted in Financial Express.

Every morning Kishore phones me to beg for forgiveness. At the same time he asks me how much I will pay him to get the companies back.

Manu Chhabria on brother Kishore's efforts to make peace with him, quoted in The Sunday Observer.

I do not see the recession in the auto industry, particularly passenger cars, easing in the near future.

Maruti CMD R.C. Bhargava, quoted in Sunday Mail.

If people are the priority, the service and the profits will come automatically.

Blue Dart managing director Clyde Cooper, quoted in A&M.

We want to set right the bank irregularity. The health of the Indian banking system as a whole is not in question.

Reserve Bank of India governor S. Venkitaramanan, quoted in The Independent.

It is easier, say, for Chase Manhattan to get one of its operators into the (World) Bank or the Fund (IMF) than it is for the CIA because they are economists anyhow.

Ex-IMF staffer Davison Budhoo on the Fund/Bank staff having connections with commercial banks, quoted in Frontline.

Busine

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INVESTMENTWORLD

INSTRUMENT OF CHANGE

The stockinvest has finally been introduced. It has a lot of advantages for both the lay investor and banks.

10

ECONOMY

THE GREENING PROCESS

Pollution control has now become a high-priority area for the government. Environment minister



KAMAL NATH: *Clean-up act*

Kamal Nath is using a carrot-and-stick approach to ensure that industry toes the line.

12

PSUs: GOING TOPLESS

An increasing number of public sector undertakings (PSUs) are without a chairman at the helm. Among them are National Thermal Power Corp, Gas Authority of India Ltd and India Tourism Development Corp. And it does not augur well for their smooth functioning.



MEHTA: *Unfazed as heads roll*

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COVER STORY

THE BANK STING: WHAT NEXT?

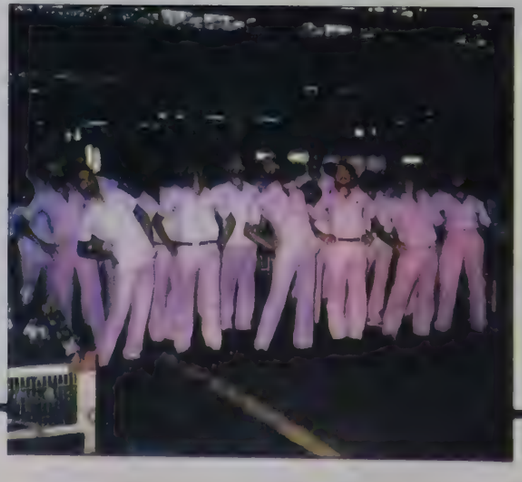
Harshad Mehta's machinations in the money market have already taken their quota of victims. National Housing Bank chairman M.J. Pherwani is no more. He died a disillusioned, dejected man. Various others have resigned or been forced to go on leave. More heads are likely to roll. What is on the cards now in the wake of India's biggest financial scam?

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BACK OF THE BOOK

A NEW WORK CULTURE?

Time was when workers did not even need a school-leaving certificate to get on a company's rolls. Today, the demand is for a much higher level of education.



WORKERS AT THE MARUTI FACTORY: *Demand for new skills*

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AD&MARKETINGWORLD

READY, AIM, SHOOT

Photophone Industries' Hot Shot cameras are no longer the hot sellers they used to be. This does not, however, bother the company as its other products are doing very well.

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IN THE NEWS

FLUID GROWTH

After making a substantial sum in oil and oilseeds trade, hotels and the transport business, M.C. Sharma diversified into drips. His product has



SHARMA: *Doctor's choice*

been well received by the medical fraternity.
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BANKING & FINANCE

"OPPORTUNITIES ARE ENORMOUS"

SBI Home Finance director A.K. Sen talks about the challenges facing India's financial services industry.



SEN: *The sky is the limit*

sWorld

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INTERVIEW

"VERY LITTLE HAS BEEN DONE"



PATEL: *More required*

Former Unit Trust of India chairman and the head of a panel on stockmarket reforms G.S. Patel says efficient and well-regulated markets will soon have to replace the current casinos.

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CHAIRMAN CONTROVERSIAL



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A scathing comptroller & auditor general (Cag) report mars the last leg of Prem Prakash Gupta's tenure at the helm of the state-owned CMC.

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MANAGEMENT

THE GREAT MANAGERS FAMINE



STUDENTS AT IIM (CALCUTTA): *Reaping a bonanza*

The number of MBAs churned out by the country's business schools are simply not enough to meet industry demand. Companies have now begun offering fabulous salaries and perks to lure them.

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PROVING ITS WORTH



LOHIA: *Spinning success*

In just 19 months of operation, worsted woollen yarn maker Woolworth India, the maiden Indian venture of non-resident Indian Ajai Lohia, has put up a phenomenal performance.

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COPING WITH COMPETITION

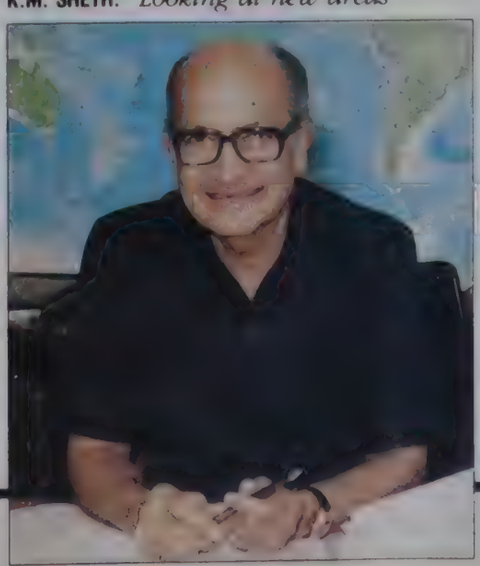
The government's decision to decanalise copper imports is bound to cause problems for Hindustan Copper Ltd (HCL). HCL chairman & managing director Ved Leekha will now have to learn to cope with competition.

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SMOOTH SAILING

Great Eastern Shipping recently received a body blow in the demise of chairman Vasant Sheth. But K.M. Sheth, the man now in the driver's seat, has a bustling company to take places. A plethora of diversification plans should start bearing fruit soon.

K.M. SHETH: *Looking at new areas*

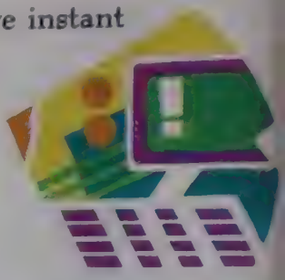




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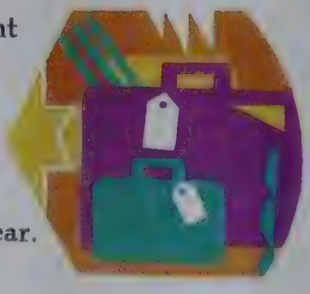
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A FLAWED SYSTEM

The fast-escalating Harshad Mehta scandal has been promptly labelled a stock scam. Rather, it should be more correctly called the bank scam of the century.

The affair shows how easy it is to suborn the Indian banking system. We stress this last word in particular because, in the ultimate analysis it is the system which must be sound and fool-proof enough to withstand inevitable attempts to beat it. Unfortunately, in this country, continuous muscle-flexing on the part of unionised bank staff has prevented taking checks and balances out of the ambit of manual procedure and into contemporary computer-based methods.



The Harshad Mehta scandal shows how easy it is to suborn the Indian banking system

The result: an absurd scenario where, literally, thousands of crores worth of bankers' receipts lie unreconciled in handwritten ledgers — which are now taking weeks to balance. Reserve Bank controllers can do little but gnash their teeth in frustration; meanwhile, it will take quite some time yet merely to gauge the extent of the alleged fraud.

The lack of appropriately upgraded systems apart — a shortcoming which is the direct outcome of the namby-pamby banking sector leadership's consistent collective kowtowing to New Delhi — the situation has been compounded by the dismal failure of the discretionary controls mechanism as well. In theory, retiring senior bankers must take Reserve Bank clearance before associating themselves with certain categories of business.

No one knows what criteria are applied by the Reserve Bank while exercising its discretion; but given the number of top brass methodically roped in by Mehta as directors, consultants, associates and so on, getting permission is probably a formality. At least, this is what an outside observer would conclude. Then why have such half-baked, ineffective controls at all?

The broad picture, it seems, is that a lone individual has schemed his way through to outbrain a brigade of responsible 'powerful' officers. Who should hang on judgement day is a rhetorical question to which there is no easy answer.

Is this what most corporations lose when th choose a courier service?



In certain matters, men wi matter in the corporate world are as subject to conditioning as anyone else.

Take courier services. People seem almost spell-bound, hypnotised, as they smilingly pay double (yes, double) every time they courier a package.

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LETTERS TO THE EDITOR



NEW MORALITY?

The Cover Story 'Chhabria Vs Chhabria' (*BW* 6-19 May 1992) made interesting reading. I found it rather revealing that Manu Chhabria did not mind his employees "making their two pice" provided corporate objectives were met. Is this perhaps the new corporate morality?

H. Jacob
Bombay

TEMPORARY CHAMP?

This refers to the Cover Story 'Tyre champ' (*BW* 22 April-5 May). Leadership in the tyre industry is never constant. Dunlop and the Modis have also occupied top positions sometime or the other. MRF's current position is purely temporary and it's not because of the quality of its products. In the early seventies when truck tyres were scarce MRF produced poor quality tyres. The quality of its tyres began to improve only when the recession began.

U.S. Iyer
Bangalore

DISTORTED FACTS

This refers to the Cover Story 'Tyre champ.' The role of the Mammen Mappillais in the pre-independence era has been distorted. The Travancore National Bank was closed down by C.P. Ramaswamy Iyer and not by the British for its anti-national activities and unethical business practices.

J.A. Kumar
Kochi

EAT TOGETHER, STAY TOGETHER

This refers to the Back of the Book Report 'Slimming down' on executive lunches (*BW* 22 April-5 May). The article rightly concludes by stating "it helps to give employees more than just food for thought." Free or subsidised meals are a good way to keep employees happy and motivated to give their best. Besides, when employees sit down together under one roof to eat, they automatically develop a feeling of closeness and oneness.

Mahesh Kumar
New Delhi

THE MRF HQ: *Quality not a priority?*



NO ACTUARY

This refers to the Businesspeople column (*BW* 22 April-5 May). Though N.C. Sundararajan is a fellow member of the Institute of Chartered Accountants of India (ICAI), he is not an actuary.

A.K. Majumdar
Secretary
ICAI
New Delhi

WRONG PICTURE

This refers to the InformationWorld Report 'Homing in, gradually' (*BW* 22 April-5 May). We would like to bring to your notice the fact that the photograph stated to be that of Informatics Computer Systems (ICS) senior consultant Anil Malhotra is not one of him.

Anuradha Chringoo
Programme executive
ICS
New Delhi

The error is regretted — Editor.

DOUBTFUL CLAIM

This refers to the Companies to Watch column in the InvestmentWorld section 'Reddy'ing for a new era' on Dr Reddy's Laboratories (*BW* 22 April-5 May). In outlining the future export plans of the company, chairman Anji K. Reddy has stated in the article that: "We already have FDA (Food & Drug Administration) clearance for ibuprofen, methyldopa, cipro and enrofloxacin."

Whilst ibuprofen and methyldopa have been approved for export to the US by the FDA, it is difficult to digest that Dr Reddy's has approval for cipro and enrofloxacin. Both these drugs are original products of Bayer and are under patent for several years more. The cipro patent in the US expires in 2004 and therefore there is no question of exports being possible earlier. Further, FDA approval of the manufacturing facility for a new drug usually takes two-three years to come and the manufacture of cipro commenced only in 1989 in India.

Abhinay Banerjee
Hyderabad

SORRY STATE

This refers to the Interview "Why blame only PSUs?" with D. Thankappan (*BW* 8-21 April). Intemperate spending by successive governments has led to the sorry position that we are in today. The International Monetary Fund's conditionalities threaten to worsen the plight of the already impoverished majority.

Anil De
Calcutta

PAPER PROBLEM

This refers to the Corporate Report on Rama Paper 'Not a paper tiger' (*BW* 25 March-7 April). In India, offices utilise huge amounts of paper annually. The waste paper is then burnt, polluting the air. This paper can be shredded and supplied to paper mills that prepare boards and paper out of waste paper. It will not only lessen environmental damage, but will also save foreign exchange.

S.K. Jena
Orissa

301 FALLOUT

The recent US decision to jack up duties on drug imports from India by 5% as part of its retaliatory Special 301 measures has had at least one fallout in the Indian drug industry: Ranbaxy Laboratories has decided to put on ice its proposal to invest in drugs meant for export to the US. Several hot-selling drugs are to come off the patent list by 1995, and the US market for them is put at anywhere in the region of $7 billion (the US accounts for 27% of the world drug market).

Ranbaxy says that it takes almost five years to get US Food & Drugs Administration certification for plants and to export drugs to the US. It believes that the investment will simply not be worth it if the US sabre-rattling continues.

Nevertheless, other drug manufacturers remain unfazed by the US move. A director of a Bombay-based pharmaceutical major points out that a 5% hike in the duty on Ibuprofen, for instance, translates into a price increase of just one paisa; a tablet sells in the US for about Rs 2, he says.

What worries most Indian outfits, however, are the longer-term implications of the US move. One duty increase could be followed by another. That would be bitter medicine indeed.

ON THE FAST TRACK

In the coming decade, capital adequacy will be an essential prerequisite for banks and financial institutions with growth ambitions. The latest credit policy just shows how serious the Reserve Bank is about strong balance-sheets. Any financial intermediary not meeting the capital adequacy norms within the given timeframe will not be allowed to expand its branch network.

This is not worrying the top brass at the Industrial Credit & Investment Corp of India (ICICI). The company has recently concluded its own capital adequacy study, the first in India. The result: ICICI's balance-sheet shows capital adequacy well above the norm of 8% of risk-weighted assets. With this primary hurdle passed, ICICI can now expect to coast along on the fast track of Indian finance.

GLAD TIDINGS

The news emanating from Dunlop House these days is getting to be increasingly upbeat. The Ghosh-Malhotra duo has been working overtime lately to sort out the cash crunch as their first priority, and this objective has been substantially achieved with several major creditors to the company having been paid off in recent weeks. Productivity at Shahaganj and Ambattur have also increased sharply.

The earlier exercise to merge Falcon Tyres (which has made a dramatic turnaround this year) with Dunlop has been shelved. Falcon will concentrate on two-wheeler tyres, while the truck, bus and passenger vehicles segment will stay with Dunlop, which might also go in for franchised manufacture tieups. Meanwhile, the chances are that far from posting a loss in its 1991-92 balance-sheet — as marketplace intelligence would have one believe — Dunlop will actually declare a dividend for the 15-month financial period ending 30 June. Should this happen, Chhabria baiters will have to sure swallow a whole lot of humble pie.

BANKING ON RATINGS

With privatisation of banks round the corner, it may not be a matter of much time before Indian banks start lining up at Dalal Street to tap investors' wallets. Possibly in anticipation of this happy possibility, the Reserve Bank of India is said to be constructing a credit risk model for the local banking sector. Without proper credit rating, it is unlikely that the banks will be allowed to raise capital from the market. That, according to banking sources, presupposes a lifting of the shroud of secrecy covering banks' bad debt portfolio.

Meanwhile, a major international bank is also showing interest in developing its own independent credit risk model

DUNLOP HOUSE: *Good news*



exclusively for the inter-bank market. Does this mean that reputation alone will no longer be the main factor in deals between banks? Ask a few of Harshad Mehta's clients for an answer.

LOSING OUT

Krishna Kumar Bangur has had a recent setback in his ongoing battle to wrest control of Carbon Corp whose incumbent chairman & managing director Mukul Harkisondass is (according to Bangur) a usurper and pretender.

Sometime ago, in an effort to bolster his voting strength, Bangur had sought and received help from the RPG group inasmuch as Ceat had bought a 5% stake in Carbon Corp. However, when these shares came for registration, the company's board referred the matter to the company law board (CLB), alleging that since Bangur was a member of the RPG Enterprises' board he had an interest in this acquisition.

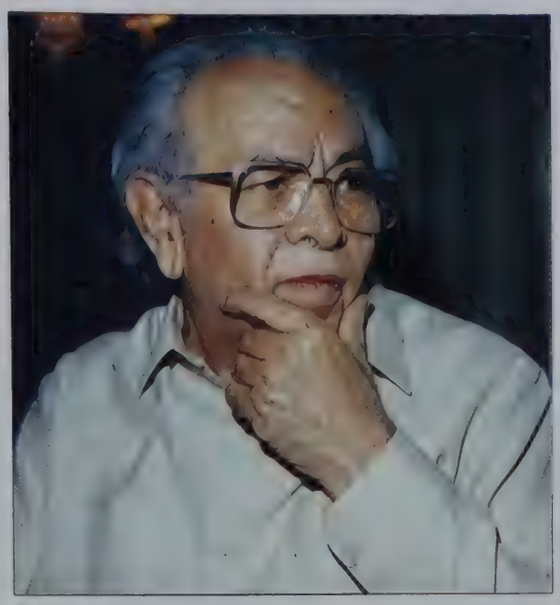
In its ruling received recently and placed before the Carbon Corp board at its May meeting, the CLB has allowed the Ceat stake to be registered but only conditionally. Severe restrictions have been imposed on the voting rights of these shares, and it has been laid down that the management cannot be destabilised under any circumstances.

However, according to reliable reports, the CLB has ruled that even if Bangur was on the RPG board it did not imply that he had a personal interest in this purchase. This might be good news for Bangur, but the bad news definitely overshadows the former.

BANGUR: *Bad news*



DARBARI'S MOVE



SETH: *Making room*

Is Tata Chemicals and Tata Tea supremo Darbari Seth stepping down from the chairmanship of the two Tata enterprises? Certainly, the possibility has been informally discussed at in-house meetings. According to Bombay House sources, Seth has expressed a desire to step down and devote his attention to Haldia Petrochemicals.

On the face of it, moving to Haldia wouldn't make sense because Tata Chemicals and Tata Tea are cash-rich companies. Both are controlled by a clutch of investment companies and trusts which hold interlocking shares in both concerns. Bowing out could dilute Seth's clout in the Tata empire.

But there's a quid pro quo in all this. According to the proposal, Seth's son Manu Seth, now executive director of Tata Chemicals, is to be elevated to managing director.

Still, sources are quick to caution that the proposal has only been informally aired; no decisions have been arrived at as yet.

ZUARI PLANS

K.K. Birla's Zuari Agro is diversifying into cement and sugar. The fertiliser, seeds and other agro products company is investing roughly Rs 400 crore in both ventures, with a one million tonne cement plant in Rajasthan taking up as much as Rs 325 crore of the proposed investment. The Karnataka-based sugar factory will account for the rest.

The decision to diversify is prompted by the K.K. Birla group's large presence in fertilisers. Zuari has been in the fertiliser business for over 19 years, and the group is in the process of kicking off Chambal Fertilisers, the Rs 1,250 crore ammonia and urea project. "In the next five years, all our eggs will not be in one basket," vows Zuari head H.S. Bawa.

Zuari's foray into mushrooms has fallen through, meanwhile, primarily because a proposed tieup with US food giant Pilsbury failed to materialise after Pilsbury was taken over by a UK concern. But Zuari is busy talking to several multinationals on a partnership for the fertiliser company's seeds business. Zuari has also begun marketing pesticides for other Indian pesticide manufacturers.

THE GREENING PROCESS

At the Shriram Industrial Enterprises Ltd (SIEL) factory in the heart of New Delhi, there are plants, birds and even fish. But they aren't there for decorative effect alone: the gaily-coloured fish ensure a low level of chemical effluents from the factory, the birds help monitor effluents spewing from chimneys and the plants check the chlorine level. Says SIEL senior executive director Shankar Ghose: "They are our bio-monitors."

A modern industrial fairytale? Not really. As several companies have discovered, SIEL's solution is just a sample of the new innovativeness becoming evident in industry as the government nudges it to become environment-conscious. Says minister of state for environment Kamal Nath, who is overseeing the government's drive: "My effort would be to see that industry gets into clean, rather than cleaning-up, technologies. And, yes, there has to be a carrot and stick policy."



A FACTORY SPEWING OUT SMOKE: *A thing of the past?*

While the carrot is largely in the form of a few fiscal incentives (depreciation allowance for pollution control systems) and the newly-introduced Ecomark, the stick is being provided by a plethora of laws. Under the Environment (Protection) Amendment Rules announced in early February, industrial units which are less than a decade old should meet standards laid down by the environment ministry by 31 December this year. Older units have breathing space for an additional year. The alternative: closure — and Nath says a list of "delinquents" is already being prepared (see interview).

That's not all. Earlier this year, the environment ministry issued a notification which specified lists of industries which would require environmental clearance even for modernisation and expansion. And recently, the government passed the Public Liability Insurance (Amendment) Act, which made it mandatory for all units dealing with hazardous substances to take insurance cover against possible accidents.

Tightening the net. Put together, the new legislation and amendments helped tighten the net against polluters. Explains K.P. Niyati, director at the National Productivity Council which helped set pollution standards in some sectors: "The amendments helped fill the loopholes in earlier laws."

Only, in its eagerness to plug the loopholes, the environment ministry slipped up in some cases: the sugar industry, for instance, found itself being asked to meet a suspended particulate matter standard of 350, while the best achieved internationally is 550. After sugar barons protested, the environment ministry hastily lowered its standard to 850 by next March when further discussions are scheduled with the industry.

Not everyone was as lucky. Officials at the National Thermal Power Corp (NTPC) were faced with a peculiar dilemma when the environment ministry insisted that it dispose off all the hundreds of tonnes of fly ash generated as waste in its power plants every day. Fly ash can be used to manufacture bricks but because of high transport costs there were few takers. And NTPC feared that any attempt to venture into brick manufacture would only mean mountains of bricks instead of mounds of fly ash.

Still with the government lending an interested ear, complaints about standards were being discussed. Far more serious instead were grey areas in the Public Liability Act. Environment ministry officials were confident that the legislation would help rush immediate relief to victims of industrial accidents, even as units without adequate pollution control would have to shell out heftier insurance premia.

Gaps in the act, however, could help some companies escape scot-free. Says Tata Risk Management Services deputy general manager A.N. Jha: "The government has laid down threshold quantities of chemicals for units covered under the act. That means if the threshold is 10 tonnes of a particular chemical, and I have nine tonnes, I wouldn't be covered under the act. Which means your aim of giving immediate relief is defeated."

Companies also worried that the sheer volume of environment ministry legislation and notifications could cause expensive delays, particularly while planning modernisation or expansion. In January, a ministry notification stipulated that companies operating in 24 industries that planned to modernise or expand had to get its clearance; at the state level, 34 industries had to obtain clearances from state environmental departments. Says Pfizer director Dilip G. Shah: "The environment ministry is going to be flooded with applications — and it's neither qualified nor equipped to deal with them. The state environment departments are not equipped to handle this workload."

Improved methods. On the flip side, however, the greening of industry was forcing companies to take a backward look at more efficient production systems. New Confederation of Indian

"30% OF INDUSTRY IS DELINQUENT"

Minister of state for environment Kamal Nath takes his job seriously. "I'm not talking for the poetry of it," he says, breaking off abruptly while speaking of ecological concerns. "These are hard realities." Nath, who's given up smoking after becoming environment minister, spoke about his determination to clean up industry. Excerpts:

■ Why did you extend the deadline for compliance with the Environment Protection Act?

I changed the deadline because I found industry had by and large taken some steps to meet the standards. I've divided industry into two categories: those which showed some proof of intent and those which did nothing — the delinquents. I chose to extend the deadline for those who were bona fide. I don't think it is being a good environment minister to close down 60% of industry!

■ Is that the figure of non-compliance?

Well, no, but 50-52%. But closure isn't an answer. I think it is my job to induce industry to be environmentally cautious.

■ What is the percentage of delinquents?

I found that about 70% of industry was in the process of attempting to comply.

■ That leaves 30%.

Well, the delinquents are going to be dealt with very strongly, including prosecution and issuance of notices for closure. This is only fair because if you find one unit complying and another not, that's unjust.



■ Has your ministry drawn up a list of non-compliants?

This is being done by the Central Pollution Control Board in coordination with the state pollution control boards. The exercise is on. It should be done in a month or two. For the moment, we have some units coming and saying we haven't done anything. We know they haven't done anything.

■ When will you initiate action?

We've already initiated action against so many.

■ How many?

I don't have the figure. But we've issued notices of closure.

■ Is it politically feasible to shut units?

Wait and see. I don't think there can be any political compulsions on compromising with the well-being of the people. Remember the emission standards were set only for the most polluting industries, not for industry at large.

■ There have been complaints that the standards are impracticable.

I think those who complained just prior to the expiry of the earlier deadline are not bona fide. But for those who complained earlier, I've set up review committees. I don't really want to follow a policing approach. Environment is for industry to comply with, not for me to shove down anybody's throat.

Industry (CII) chairman J.J. Irani told journalists in the capital: "We should look upon environment management as a business venture where one can make profits." And pare costs too. At Harihar Polyfibres's 60,000 tonnes per annum (tpa) plant, for instance, company executives were delighted when attempts to reduce effluents had an unexpected byproduct: the plant's energy consumption was halved.

Still, at least some industries were unhappy over the costs involved in meeting the environment standards. Groused an official at a leading industrial association: "Let's take the case of a cement producer who's selling his cement at Rs 500 a bag after taking into account the cost of installing pollution control equipment. If his competitor has not installed the system and sells his cement cheaper, that means the environmentally aware guy loses his market."

The environment ministry's hoping that incentives like the Ecomark will help solve that problem. More than that, however, Nath, who's been talking tough, emphasises that industry which does not conform be shut down. "You have to give all the units an even playing ground," he says.

Even Nath, however, fights shy of a pollution tax, which is what some environmentalists believe is required. Says Niyati (quoted earlier): "Ultimately, a businessman takes decisions on the basis of how it will affect his bottomline. That's where some kind of a pollution tax could be effective." Nath, however, dismisses all queries on the possibility of a tax with a terse "No comment."

Such drastic measures may not be necessary. Even as the environment ministry was making clear that it meant business, at least some businessmen were realising that clean techniques could pay dividends in more ways than one. Says Ghose: "If you want to go out and be competitive, you've got to meet international standards. That means either you comply with the international norms or you bid the market goodbye."

As industry begins Operation Clean-Up, there's certainly little danger of anyone bidding the market goodbye.

□ Sujatha Shenoy

The public sector has a major headache.

GOING TOPLESS

When National Thermal Power Corp (NTPC) chairman P.S. Bami retired last month, one dubious statistic jumped up in government records: with Bami's exit, NTPC had just become the 26th public sector corporation in the country without a chairman at the top.

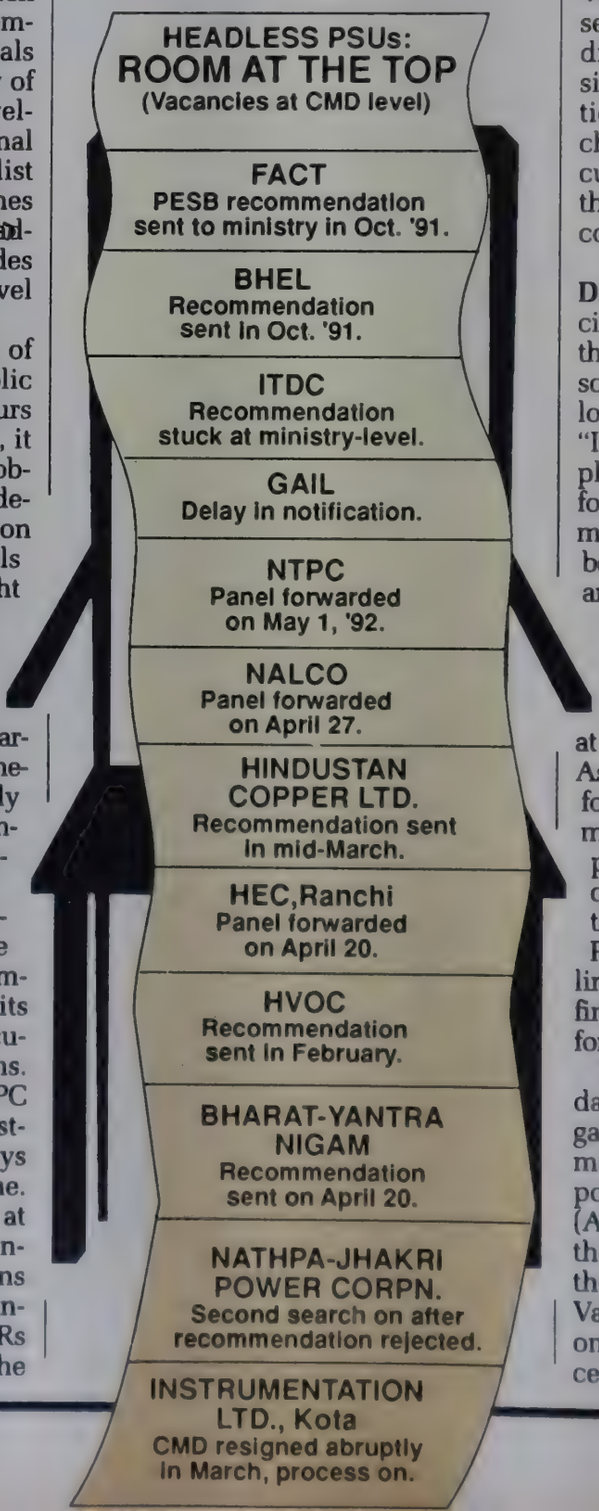
Keeping NTPC company is a host of other megacorps, including Bharat Heavy Electricals Ltd (Bhel), which has not had a chairman since November last year, Fertilisers & Chemicals of Travancore (Fact), Gas Authority of India Ltd (Gail), India Tourism Development Corp (ITDC) and National Aluminium Co (Nalco). Up in that list till very recently were Indian Airlines (IA) and the Minerals & Metals Trading Corp (MMTC). And that excludes the 43 vacancies pending at the level of executive directors.

Certainly, that makes for a lot of headless organisations in the public sector — a situation which recurs with metronomic regularity. Worse, it also makes for a lot of heartburn, lobbying and postponement of major decisions as the government's inaction sends the wrong signals to officials in the public sector. Says a forthright S.K. Aggarwal, who recently stepped down as MMTC chairman only to see an additional secretary in the commerce ministry take temporary charge: "An interim arrangement is the worst possible. Someone who is in place only temporarily will have no involvement, no commitment, no concern for the organisation. The result is a total mess."

He's probably right. With indecision about the organisation's future setting in right from the top, the company invariably ends up losing its competitive edge as officiating executives balk at taking major decisions. For the public sector giants — NTPC alone accounts for government investment of Rs 18,500 crore — the delays are costly in more ways than one. Fumes K. Ashok Rao, an officer at Bhel who is head of the National Confederation of Officers' Associations (NCOA) of central public sector undertakings: "Bhel is trying to bag a Rs 3,000 crore order in Iran. But with the stalemate at the top, there's little hope of that happening."

The dithering at the top is perhaps understandable. What is not is the fact that the delays in filling the top slot occur despite the existence of a timetable laid down by the government precisely to guard against such stopgap arrangements (see chart). Ideally, the government machinery to fill a chairman's or executive director's post should whir into action six months before the vacancy actually occurs. And the successor's name should be announced well before the incumbent lays down office.

Sadly, as the statistics prove, that hardly happens. That's something which even Public Enterprises Selection Board (PESB) chairman P.H. Vaishnav, whose organisation oversees the selection process, would find difficult to argue with. Even as he insists that "the system ultimately functions," Vaishnav concedes that a large chunk of the 150 vacancies which occur annually in the top echelons of the public sector do not get filled according to schedule.



Dishonourable intention. So why precisely do the delays occur? What is it that makes public sector organisations so peculiarly prone to functioning for long periods without a chief executive? "It's the clear absence of succession planning," says Aggarwal succinctly. A former member of the PESB puts it even more bluntly: "The delays occur largely because of dishonourable intentions and because you do not have a proper system. If a proper system was set up, it would not be adhered to," says he.

That diagnosis could be too harsh, at least as far as PESB is concerned. As of 1 May, the board had already forwarded recommendations — a maximum of three names for each post — for almost all the 69 vacancies pending at the top two tiers of the public sector. Even better, the PESB had stuck to the time guidelines laid down by the government, finalising its panel of names well before the incumbent laid down charge.

The problem is that the recommendations forwarded by the PESB only gather dust, pending approval by the ministries concerned and by the Appointments Committee of the Cabinet (ACC), comprising the prime minister, the home minister and the minister of the relevant department. Although Vaishnav claims that the PESB's recommendation — and ranking — is accepted unaltered in as many as 95%

of the cases, there's no doubt that the ministries and the ACC are the major stumbling blocks.

At the ministerial level, appointments to top public sector jobs are often highly politicised. Confirms a former PESB member: "The point is that an appointment to a top public sector post is seen as a source of patronage. So everybody wants a say in filling the post." Points out Ashok Rao: "On 13 March, I met P. Thungon, minister of state for industry, to complain about the delay in appointing a chairman for Bhel. It's now end-May and nothing has been done yet."

The foot-dragging sometimes begins at the preliminary level when the vacancy first has to be notified. The delay could be because of pending proposals to redesignate the post, change the job description or, in the new regime, to do away with the job in the wake of restructuring and mergers. PESB officials cite the case of the International Airports Authority of India (IAAI) and the National Airports Authority (NAA). As the civil aviation ministry pondered over a proposal to merge the two, PESB was unsure over whether to start the process for filling an impending vacancy at NAA (the top slot has since been filled by K. Ardhanareeswaran, who shifted last fortnight from his job as textiles secretary).

PESB itself functions in the midst of a welter of claims and counter-claims as contenders for the top job vie to be selected. Says Maruti Udyog chairman & managing director R.C. Bhargava who had put in a nine-month stint on daily wages five years ago because of delays in processing his papers: "In some companies, the top executive becomes a political figure; it's a coveted post. So the lobbying begins and the selection process becomes difficult." Vaishnav, however, poohpoohs talk of pressure, saying "Nobody's ever rung me up." That may be but, almost routinely, when posts in plum corporations fall vacant a rash of allegations about the frontrunners surface. All top appointees consequently are vetted by vigilance agencies — who sometimes take their own time in handing in reports.

Adding to the pressure, often there are few well-rounded candidates available. Says Bhargava: "The manpower development policies in the public sector don't create fairly obvious successors because you don't have many people who've been rotated through all the departments."

Even when there are people, some vacancies are inevitable. At Air India, Rajan Jetley's sudden resignation meant the airlines' chief slot was suddenly vacant and neither the ministry nor PESB was aware of the impending vacancy. Or there could be the snowball effect: Madras Fertilisers will now be headless after its chairman G. Vasudevan moves on to head IA. "The point is that we can't move until the vacancy actually occurs," says Vaishnav.

So what's the solution? Under Rajiv Gandhi, there was a proposal to ensure that the ACC approves of a successor to a top public sector post 90 days before the vacancy actually occurs. Even better, the chosen candidate was to join the organisation as chief executive-in-waiting 45 days before he actually took over.

In principle, that's fine. In practice, the system was stillborn. "It needed a lot of disciplined acceptance," says the former PESB member. "That simply wasn't there."

In fact, several suggestions on streamlining the selection system have been aired. Most outgoing public sector chiefs believe they should have a say in selecting their successor — the logic being that they understand the organisation best. Besides, they would also like to ensure that the top post goes to a man from within the organisation.

That's not just because of organisational pride; it's also because of simmering resentment about the growing influx of bureaucrats into the public sector. With the government having made clear its desire to cut administrative flab, public sector officials suspect that the bureaucrats are now increasingly looking upon the public sector giants as convenient parking slots. "There's a natural feeling that the bureaucrat will know little about the organisation, even though he might be a technocrat," says an official at NTPC.

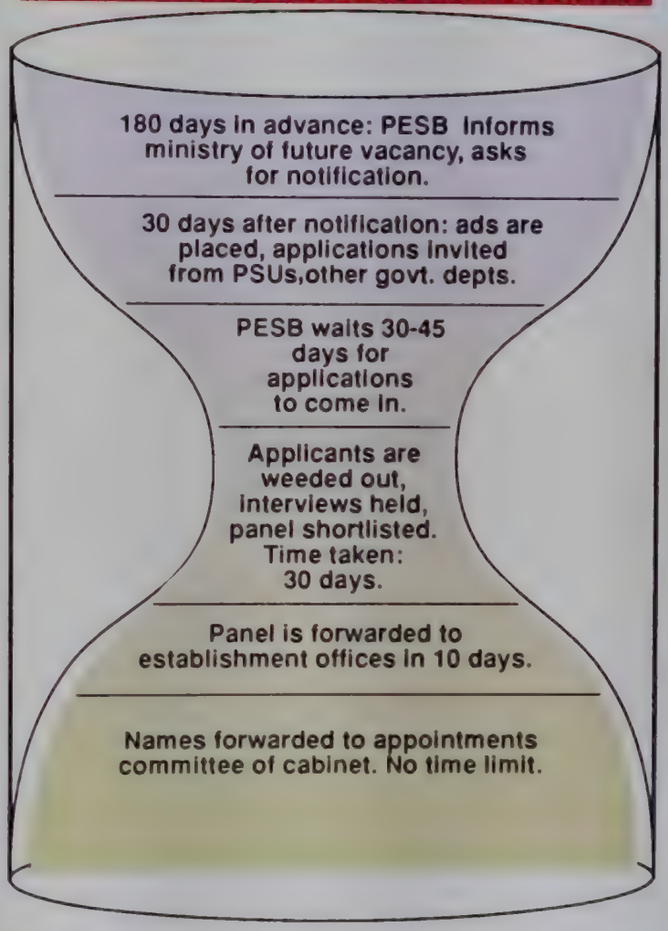
Squabbling over posts apart, some believe delays could be reduced simply by ensuring that stop-gap chairmen are automatically promoted if the system fails to come up with a successor within three months. Says the former PESB member: "That's how it works in the private sector. So why can't it work in the public sector?"

What gives the suggestions an undercurrent of urgency is the growing disillusionment within the public sector. Says Bhargava: "In the Indian context, I don't really think things can improve unless the government dilutes its stake to 50% or less. That would remove a lot of the constraints which affect managers."

Bhargava's suggestion may be too radical for the government today. But with plenty of other job alternatives, public sector men could soon disappear. Now, if only like nature, the government too would begin to abhor a vacuum.

□ Sujatha Shenoy

FILLING VACANCIES: HOW THE SYSTEM SHOULD FUNCTION



THE AMERICAN NIGHTMARE

S. V. KUMAR



Ponder, if you please, the plight of a once-great land. A country which:

- Gave the business world every important management concept — the assembly line, management by objective, human resources development (HRD), scientific marketing and the transnational corporation — but is now frantically re-learning the basics from an island it crushed in war 47 years ago.
- Discovered the principles of quality control but is now notorious for shoddy products.
- Had the world's highest per capita income 20 years ago but now ranks sixth — behind once-despised Asian and Nordic countries.
- Was banker to the world with almost all its gold reserves two decades ago but is now the biggest borrower with an external debt eight times the *aggregate* owed by the next ten most indebted nations.
- Has the world's biggest manufacturing corporation which was numbed by a $5 billion loss last year.
- Has the largest number of (and most reputed) business schools, but whose corporate icons are now owned by British, Japanese and German firms.
- Has the finest research laboratories and technical colleges in the world, but whose industries need strategic alliances with foreign companies to survive.
- Produces one-sixth of the world's oil, but still imports half of its energy needs.

Of course, you've guessed right. It's God's own country, the US of A.

In 1945, a jingoist *Time* proclaimed: "The American century has arrived." Is it time to mourn the passing of that time?

The inventory of American economic horrors can be rapidly reduced to hard data. In 1991, its adverse trade balance in manufactured goods was $68 billion. Output per worker increased by 0.8% annually in 20 years compared to 2.5% in Japan and 2.2% in France. If aerospace, biotechnology and computers are excluded, the American export basket includes only 27% of value-added products. It now ranks third among manufactured-goods exporters, behind Japan and Germany, which have half and a third respectively of America's population and which export virtually no armaments. America's investment, at 10% of gross domestic product (GDP), is the lowest of all industrial majors; Japan and Germany recorded 22% and 15%. America's industrial employment has declined by 15% in the last decade. Industry contributes just 29% to GDP, placing it 62nd in a list of 124 countries — behind even Greece. In 1980, five of the world's 10 top banks were American; there are none now. In 1950, there were 397 American firms in the *Fortune* 500 list; in 1990 the number crashed to 202 and many, like General Motors and IBM, are in trouble. So is the American financial system. Wall Street, the capitalist paradigm, is now a byword for fiscal finagling (Iacocca remarked: "I don't know if I am reading the *Wall Street Journal* or the police blotter").

> *In the past seven years there's been just one product launch in the US — New Coke*

This barrage of statistics can be mind-numbing, but one thing stands out. The spirit of innovative genius which put a man on the moon and produced the transistor, photocopier, polio vaccine, Cray supercomputer, Apple personal computer, Intel microchip, successive generations of bestselling jetliners, gene-splicing and satellite communication, launched one product in the past seven years — New Coke!

We must grant the historical inevitability of birth, growth, decline and fall of civilisations. However, even by its own frenetic standards, America seems to have raced through the historical cycle with remarkable self-destructive speed. Its economic decay was no accident nor was it extraneously imposed by a more gifted adversary. The sad truth is that America shot itself in the foot. Here's how:

□ **Obsession with short-term results.** The American corporation and executive live for quarterly working results. This fixation on the quick fix would be admirable except that it gives long-term strategic planning no chance. The American corporation is owned by small shareholders or big predators who demand ever-increasing quarterly dividends — or else. This means no CEO who values his job and stock options can ever take the long-range view on capital investment, R&D, innovation, upgradation, product development or anything which does not deliver immediate payback. Contrast this with the average German and Japanese corporation which is 60% owned by banks, insurance companies and pension funds. They are prepared to trade off small dividends for the long-term growth of the company and appreciation of their stockholdings.

□ **Board composition.** A corollary of this factor is that American company boards comprise directors chosen for their compliant attitudes or influence-peddling potential. Hard-headed long-term investors, labour representatives and technocrats like those who sit on German and Japanese boards are *personae non grata* in US companies.

□ **Declining emphasis on technical education.** One statistic says it all: American universities turn out seven lawyers, MBAs and humanities graduates for every engineer they produce. The highest rewards in the US go not to the scientists, researchers

or engineers but to the "managers," finance whizkids or corporate lawyers. Guess where America's brightest and best line up?

An even more chilling statistic is that the quickest spreading affliction in the US is not Aids but illiteracy. An estimated 28% Americans are described in a US department of education survey as semi-literate.



AN AMERICAN FACTORY: *Turning out shoddy products?*

□ **Reduced R&D outlay:** America is the home of the R&D lab. However, in 1991, R&D spending dropped to 1.9% of GDP compared to 3% for Germany and Japan.

□ **Decline of entrepreneurship.** American industry was built on the imagination and courage of its entrepreneurs from Andrew Carnegie to Bill Gates. It is significant that even now the American infotech sector which relies on individual skills is still world leader. In other industries, the predators, raiders, takeover artists and public relations men have replaced the entrepreneur. One American flag-carrier, Pan Am, was founded by the legendary Juan Trippe, visionary and entrepreneur-extraordinaire. The other, TWA, is headed by Carl Icahn, a corporate pirate. This sums up the Yankee entrepreneurship trend. Both airlines have crashed in the corporate cemetery.

□ **Flawed growth strategies.** Organic growth is passe in the US. Growth by grab (the leveraged takeover) is the preferred method, or was until the banks ruined themselves and the public got wise. The downside of this policy is that a heavily borrowed company is too intent on debt servicing or asset stripping for sheer survival to even focus on proper growth planning.

□ **Warped product philosophy.** Somewhere down the line, perhaps in the late fifties, America converted to the creed of planned product obsolescence. The aim was to make an automobile which would wear out in two years (instead of the usual four), so that the owner would trade up to a new one. The accent was on meretricious product development and a shift from product integrity to high-pressure marketing. The result: GM's share of the home market is down from 58% in 1955 to 35% and the share of imports up from 3% to 39%.

□ **Rapacious managers.** Corporate plunder was raised to its state-of-the-art form by the American CEO of the eighties. An array of glittering prize-stock options, exit solatia, golden parachutes, profit-linked bonuses et al and a catalogue of expensive indulgences like corporate jets, hunting lodges and company guest houses were offered. Steve Ross of Time-Warner topped the 1991 salary list with $78 million and Lee Iacocca followed with $70 million. This munificence was not, however, reflected in the profits of their companies.

□ **Insensitivity to labour.** General Motors chairman Roger Smith inspired a film which lampooned him for his courage in closing plants nationwide while awarding himself a stratospheric salary hike. Soichiro Honda, in contrast, issued a "no layoff" pledge to his employees while opening his new Ohio factory. With a few honourable exceptions, American employer-labour relations have not changed substantially since the fifties.

Every year, the World Bank bails out "irresponsible", "profligate" and "indisciplined" third world nations, lending them billions to pay interest on the billions they have borrowed and cannot pay back. These feckless countries have been living beyond their means, financing consumption by borrowing abroad. Sounds familiar? It should. In 1990, America attracted $1 trillion foreign investment to add to its $4 trillion debt. It does not figure in the World Bank debt statistics because its borrowings are denominated in dollars. If Standard and Poor's ran a credit check on the US, they would probably downgrade it to a B- rating and recommend investor caution.

Voltaire once remarked: "If Rome and Sparta fell, which state is immortal?" The answer is "none." Not even the US of A.

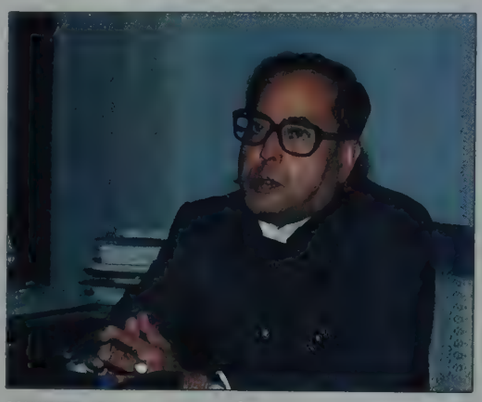
• *The author is senior manager (corporate banking), Standard Chartered Bank*

■ According to minister of state for agriculture K.C. Lenka, the Rs 1,300 crore eighth plan outlay for the agriculture sector envisages a massive development of seven areas of the **livestock sector**.

■ The Central Electricity Authority (**CEA**) has cleared the Rs 1,202 crore second phase rehabilitation and modernisation scheme for thermal power plants. The second phase, involving Rs 68 crore of World Bank assistance, will help improve the performance of 174 units.

■ **Tea exports** in 1991 fell by 25 million kg, according to a paper prepared by the Indian Tea Association. The paper reveals that India exported 175.14 million kg of tea in 1991 as compared to 200.15 million kg in 1990. The reason: lower purchases by the erstwhile Soviet Union which was once upon a time the largest buyer; it imported only 86.9 million kg last year.

■ Planning commission deputy chairman Pranab Mukherjee has announced that **budgetary support** in the eighth five-year plan, especially public sector funding outlay, was being reduced. Mukherjee says the critical thrust areas in the plan will be social and economic infrastructure.



MUKHERJEE: *A new thrust*

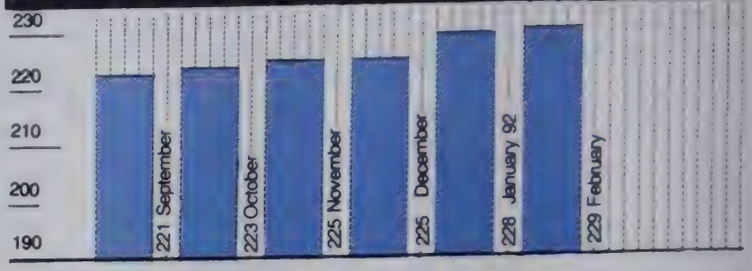
■ A scheme to improve the technical, financial and staff positions of the state **pollution control boards** is to be launched in New Delhi. The Union cabinet has approved the Rs 670 crore World Bank project.

■ The Union ministry of textiles is to draw up a composite plan to augment product-wise, market-specific jute goods export in the current financial year. The plan will identify major global markets which will be earmarked as thrust areas for increased jute goods export.

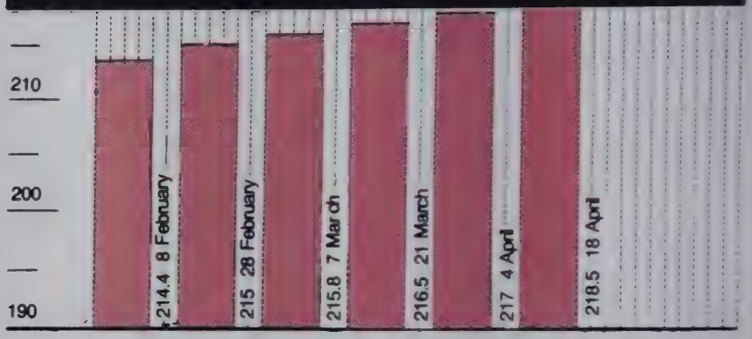
Foreign Exchange Rates (Spot) 1992

	20 May (Rs)
One P. Sterling	47.32
One US Dollar (RBI's buying rate)	25.83
One US Dollar (Operating middle rate)	28.16
One D. Mark	16.16
One hundred J. Yen	20.00
One Saudi Riyal	7.55
One Kuwaiti Dinar	92.15

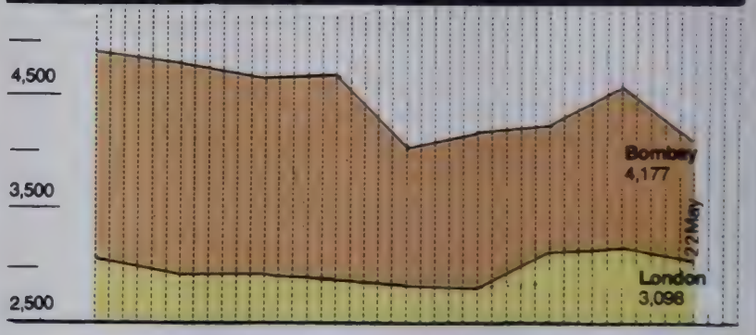
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



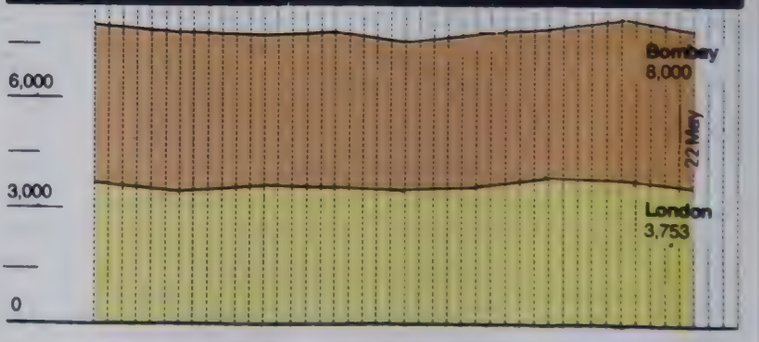
Wholesale Price Index (1981-82 = 100) 1992



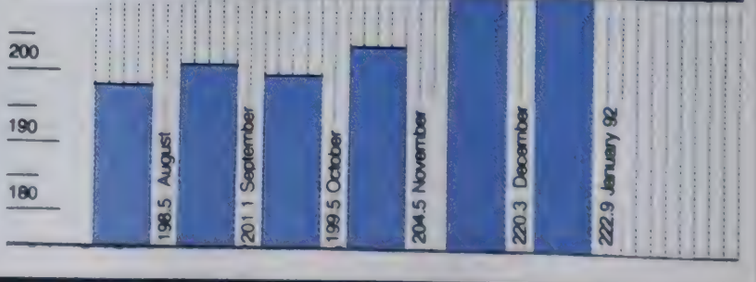
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81= 100)



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PRESSMAN

"VERY LITTLE HAS BEEN DONE"

In the current murderous game of bulls and bears, thousands of small investors find themselves in the unenviable role of sacrificial lambs. In the absence of any worthwhile protection, these lambs continue to be silent. With the importance of the stockmarket growing by the day, this state of affairs cannot be allowed to run for long. Efficient and well-regulated markets will soon have to replace the current casinos. But how?

BusinessWorld's *Niranjan Rajadhyaksha spoke to market veteran G.S. Patel on these matters. After originally qualifying as a barrister, Patel later read economics at the London School of Economics under the legendary R.S. Sayers. Coming back to India, he eventually became the longest-serving chairman of the Unit Trust of India.*



One of the pioneers in the fields of market reform and investor protection, Patel headed the high-powered committee set up by the finance ministry in 1985 to help reform the anarchic Indian capital market. Most of today's major issues have their roots in that committee's report — the need for an apex regulator, the national stock exchange, corporate membership, stock-invest etc. Excerpts from an interview with Patel:

■ The current crisis in the stockmarket has once again exposed the serious deficiencies of the Indian capital market system. What, in your opinion, is the main lesson to be learnt?

First of all, one must be clear that there is nothing new about the current crisis. Only, this time the dimension and gravity are different. Such things have occurred a number of times in the past. Yet, no worthwhile improvements have been made in the capital market. Whatever little has been done so far is only cosmetic and that too for public consumption without any tangible outcome.

Coming to the actual question, our financial system has undergone tremendous transformation and an unheard of metamorphosis. The management of change has assumed more importance than the change itself. What I feel, therefore, is that we shall have to closely examine our regulatory, surveillance and monitoring machinery in the financial system and make appropriate modifications to meet the new challenges. All the major players in the financial market, including the financial institutions and the mutual funds, should come under competent and efficient surveillance. That is what the experience of the recent happenings points to. Moreover, nothing should be carried to excess.

■ But what should be the mode of regulation? Should the Securities & Exchange Board of India (Sebi) be the sole regulator or should it operate in tandem with other organisations?

We should not have too many regulators for the capital market. As the old adage goes, "too many cooks spoil the broth." Currently, the Company Law Board and the controller of capital issues are not too keen to give up their powers. And even the Reserve Bank of India (RBI) wants some control over the mutual funds. But personally, I feel that as Sebi is the apex regulatory body, it should be endowed with comprehensive powers having full freedom and independence to regulate the capital market as it thinks best. The recent Sebi bill which was passed by parliament leaves much to be desired. It is disappointing, to say the least.

■ Should it also control the treasury bond market as the SEC does in the US?

There is no need for that. Government securities should be left to the RBI. After all, their issue is closely linked with fiscal and monetary policies. Besides, the market for such securities is still a limited, captive one mainly dominated by commercial banks, insurance companies, provident funds etc.

■ But does Sebi have enough powers?

No. In fact, it appears from the passing of the Sebi bill that the government does not want Sebi to be empowered. Its rules and regulations and some of its important activities will still need the prior approval of bureaucrats in the finance ministry. Even a lower-level ministry official can dabble in Sebi's affairs and mess things up. Just look at the composition of the Sebi board. It is full of bureaucrats. Even the two outsiders who will be there are government nominees. The initiative, drive, dynamism and bold steps which are required to reform the capital market and particularly the stock exchanges may, I am afraid, be lacking.

■ Besides empowerment, another point that is sometimes raised in connection with Sebi is that it is overstretched.

There is some truth in this. Sebi has too many things on its hands. Yet, despite the heavy load, the pressures and all sorts of pin-pricks, they are doing a fine job, notwithstanding the

various obstacles put in their way by vested interests, including the bureaucracy.

■ Some critics feel that Sebi pays too much attention to the primary market at the cost of secondary market regulation. What are your views on this?

There is substance in this observation. Sebi's young professionals do seem to place too much emphasis on the primary market. Personally, I feel that the secondary market is more important. No doubt there are enough irregularities in the new issue business. But eventually, regulation of the secondary market is important simply because if this market is not healthy and run on sound lines the primary market will suffer.

■ Coming back to the issue of Sebi having too much on its plate. One way out of this problem is if the various market players set up their own self-regulatory organisations (SROs). The Sebi chairman also seems to support the SRO mode of regulation with Sebi as the apex body. Can such a strategy succeed in India?

This will require an awareness of responsibilities to both the investors and the national economy on the part of all players in the market. For any healthy financial system, self-regulation and self-discipline are essential but where they are conspicuous by their absence, there must be statutory regulation to bring discipline into the system. So far, self-regulation has failed in the Indian context. There is no sense of altruism and people behave as if they are a law unto themselves and do not require any discipline or regulation of their activities.

■ Coming back to the stockmarket, how can we ensure that misdeeds, such as those suggested in the Harshad Mehta affair, won't be repeated?

Sebi will have to be fully empowered to radically reform the stock exchanges. These are riddled at present with all sorts of malpractices including insider trading, price rigging, manipulation of markets, spreading of false rumours, cheating and fleecing the investor. Sebi will have to reduce the dominance of a few market operators and put the markets on sound and healthy lines.

■ The recent showdown between the brokers and Sebi only shows that the former are not ready to change their ways. In such a situation, is an alternative exchange, like the national stock exchange, a solution?

I feel that the brokers should be given a chance to abide by the directives and guidelines that may be framed by the government to reform the stock exchanges. If they do not do so, there should be a second stock exchange at Bombay, Calcutta, Delhi and Madras. The committee on stock exchange reform which I headed suggested this way back in 1985. These exchanges should be made open to professionals at nominal fees. The interests of the investors and the nation are paramount. Why should these be held to ransom by an insignificant minority of about 6,000 brokers? If they do not discipline themselves, they must be disciplined.



The initiative, drive, dynamism and bold steps required to reform the market are lacking

■ Your committee's report had highlighted the outdated and inefficient systems of functioning in the securities market. So have other experts. At the same time there is talk of attracting foreign capital. Will foreign investors put money into such a market?

I doubt it. We are not prepared. Our systems and methods of working are so antiquated and outmoded that they do not inspire sufficient confidence in the integrity and credibility of our financial system as a whole.

■ So it is not just a question of where the Bombay stock exchange's sensitive index (Sensex) is going. By the way, what are your views on the Sensex?

The Sensex is the wrong index which more often than not misleads investors. It is an index of speculative activity rather than the health of the market. It is hardly the best indicator. Yet even intelligent investors and mutual funds are obsessed by it and talk about it as if its rise and fall can make or mar the market.

I remember when I was the UTI chairman, and when the chartists predicted that the market was going to decline, I would buy. Money power largely determines the course of charts and the Sensex.

■ That brings us to the role of the institutions. What do you think the main aim of these organisations should be — to ensure the highest returns for their unit holders or to behave as market stabilisers?

It is basically the small investor who puts his hard-earned money into mutual funds. And he rightly expects that money to be put to optimal use for his benefit. So the main goal of the mutual funds should be to try and maximise the returns to investors. True, as public sector institutions, they may want a healthy and stable market, especially to the extent that market stability protects the small investor. But it need not be an obsession. It is not their main objective. In fact, it often so happens that in the name of stabilising the market, the institutions invariably bail out speculators.

■ The Patel committee report, which was released in 1985, highlighted the inadequacies of the securities system in India. Many of its recommendations were used by subsequent committees. Today, seven years later, what are the main problems in the capital market?

Things have not changed all that much since 1985. Are not insider trading, speculation, computerisation, and the like still burning issues? The report is not outdated. A number of our recommendations have even been implemented abroad. But not much has been done here.

The problems are the same. The solutions are the same. But the bureaucrats and the powers that be make us believe that God is in heaven and all is right with the world and our stock exchanges.



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THE GREAT



Ronald M. D'Souza is not exactly overjoyed. Early this year, Procter & Gamble's (P&G's) personnel manager hit the headhunting trail. D'Souza scoured all the top management campuses in the country for management graduates. He struck pay dirt at the Indian Institute of Management (IIM), Ahmedabad — a student who had graduated among the top 10 in his class.

But D'Souza's satisfaction was short-lived. International consultancy firm McKinsey grabbed the young man by offering a hefty salary: a cool Rs 4 lakh plus a year. That headline-hitting number stands in contrast to earlier salary records set at IIM: about Rs 1.20 lakh a year, offered by a foreign bank.

For P&G, that was a rude, and dramatic, awakening to the changing shape of the managerial market. After all, P&G was one of the most sought after companies on campuses across the country. Chagrined at not having been able to match McKinsey's offer, the Bombay-based consumer products company is now busy working out a more attractive salary package for next year's recruitment drive. Says a determined D'Souza: "I want to keep pace with the market."

It's a symptom of the times. Salaries are going through the roof — and it's due to an unprecedented famine of management graduates and qualified executives. Across the country, companies are confronted with a shortage of executives and managers. As competition hots up and companies expand furiously, as multinationals make a beeline for India, Indian companies are finally waking up to the grim reality of the shortage.

To be sure, the scarcity is largely confined to management graduates, and to technically qualified personnel armed with management degrees. Yes, shortages of management graduates (read: MBAs) have been around for some time. But it's a phenomenon that's been building up over the years. Now, it's reaching crisis proportions.

"The crunch was there for the past five years but it is becoming worse now," says Blue Star human resources development (HRD) manager Kalyani Gupte. "More companies are paying better salaries than ever before. But there aren't enough managers."

Certainly, the flood of corporations at an-

MANAGERS FAMINE

nual campus recruitment drives bolsters Gupte's contention.

■ Between 1989-90 and 1990-91, 19% more companies (131 in 1989-90, 156 in 1990-91) conducted campus interviews at IIM, Calcutta. True, that in itself doesn't suggest a famine of managers. But there's some evidence that the corporate rush is getting out of hand — institutes such as Xavier Labour Relations Institute (XLRI) in Jamshedpur actively discourage more companies from conducting recruitment sessions. And IIM, Calcutta, began charging companies for the privilege of picking graduates some years ago.

■ Last year, 137 companies offered 1,234 jobs at the recruitment jamboree at IIM, Ahmedabad. The strength of the graduating class: 162.

■ At IIM, Bangalore, around the same time, 47 of the country's top companies offered 180 jobs at the final stages of recruitment. Only 140 job offers were accepted.

Still not convinced that an executive scarcity rages? Try these, for size:

□ Automobile manufacturer Maruti Udyog got an unpleasant shock after the recruiting season at IIM, Bangalore last year. The state-owned company found takers for just four of the eight posts it sought to fill.

□ Officials of the Bombay-based Mafatlal Fine Spinning failed to recruit 12 graduates from the IIMs at Bangalore and Calcutta this year. As a result, they had to pick executives from less renowned institutes in and around Bombay. The message for corporations: it's a sellers' market out there.

So furious has the scramble for management grads become that bizarre tales like the following one are the rule, rather than the exception. According to a senior official in a Thapar company who did not wish to be identified, company officials hit XLRI this year, found a fresh MBA they believed was just what they required, and quickly issued an appointment letter on the spot. But the young recruit was readying for a final interview with Nestle, which was obviously his first choice. So he stalled for time. Recalls the official: "We could not give him more time; we were not sure that he would join us. So we had to grab him as fast as possible." Their gambit: a three-hour deadline for the recruit to make up his mind and sign on the dotted line. The strategy worked.

Yet the shortage is by no means limited to fresh management graduates. Engineering and motorcycle manufacturer Escorts is finding it increasingly difficult to get HRD, quality control and portfolio management managers. Escorts has advertised posts more than once — and the posts have remained vacant for more than six months. In Bangalore, Asea Brown Boveri vice-president (corporate personnel) H.K. Mohanty reports that sales, information technology and finance managers are hard to come by. Says he: "Add production technology managers to the list. There are too many marketing guys around, and too few good technical personnel."

Indian companies are waking up to the grim reality of the shortage

Certainly, the scarcity of managers is hitting industry across the board — from traditional engineering companies to start-ups, from aggressive consumer outfits to sunrise industries like computers and electronics.

In a sense, the shortage is reflected in employee turnover rates. According to a study by Delhi-based management consultant Mrithunjay Athreya, the employee turnover rate is around 10% in consumer goods outfits (see chart). In the software industry, turnover has hit an incredible 25% — and is still rising. In many cases, employers are finding it difficult to fill vacancies left by departing personnel. Says Citicorp Overseas Software Ltd (Cosl) human resources head Pradeep Mukerjee: "We are finding it difficult to find people with both technical and managerial skills."

So what's happening on the MBA front? What explains the shortage? A growing economy, for one. Over at Blow Plast, the Bombay-headquartered moulded luggage and toy enterprise (which incidentally doubled its intake of management trainees last year), vice-president (personnel) K.S. Kumar shares this perception. "With companies expanding and setting up new projects, everyone needs more MBAs. It is now a tug-of-war with the survival of the fittest. Nearly 150-odd companies are wooing a mere 500 MBAs from premier institutes like the IIMs," he says.

Then, Indian industry has to compete on another front for executives: south-east Asian multinationals. Points out Anand Shome, general manager (personnel) at Ballarpur Industries which lost almost a dozen managers to south-east Asian corporations: "Indian managers get salaries which are many times higher than in India."

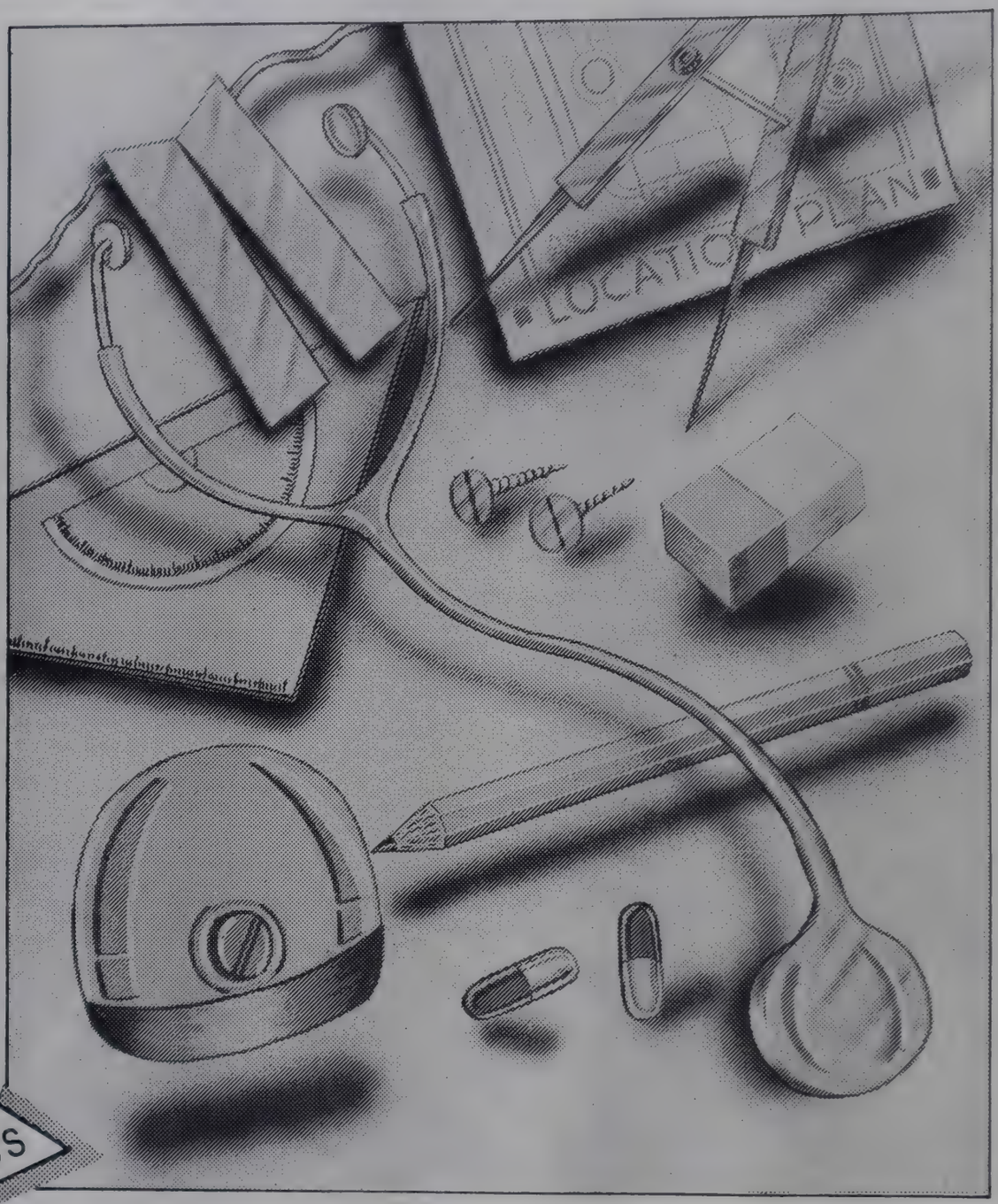
Thirdly, multinationals that recently opened offices in India are competing for the limited pool of executives and managers. In the next two years, chemicals giant Du Pont and soft drinks manufacturer Pepsi Foods may join Indian corporations that flock to the IIMs.

Not surprisingly, many companies fear that the competition for executives will only get fiercer. Says Hindustan Lever vice-president (personnel & corporate strategy) Naren Nanda: "We are not jittery yet. But the crunch will hit us once the new multinationals join the fray."

But Lever may already be caught in the crunch. Last year, the soaps and detergents giant lost 25 middle-level managers. What was even harder for the Lever brass to accept was the reason group executives cited for leaving: in Lever, said most of the 25, there simply wasn't enough room to grow.

As executives head for the fast track, more and more companies are confronted with the problem of high turnovers. In Delhi, DCM Shriram Industries has discovered to its dismay that one out of every five management

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trainees hired from campuses leaves within a year. Cadbury India is extremely worried by the growing number of middle managers who put in their papers after a three-year stint. Confirms Cadbury vice-president A.D. Joshi: "Most of our departures take place at this level. We are seriously looking into the problem."

The problem is affecting others too. Calcutta-based tea company Williamson & Magor (previously Macneill & Magor) used to send young executives to obtain a management degree in Delhi at company expense, till it found that most of them subsequently quit Magor for other companies. Even paper manufacturer Straw Products, a Singhania concern, is distinctly unhappy with its experience with management trainees. Says Straw Products personnel head Adi K. Sahukar: "Only 30% of the new management trainees stick on to the company; the rest leave. They want faster growth."

So what do companies do to retain managers? Increasingly, market-savvy corporations are responding by jacking up salaries steeply or by introducing lucrative perquisites, ranging from liberal housing and medical benefits to fat conveyance allowances. Others such as Thapar Waterbase, Cadbury and HCL-HP (see chart) are offering stock options, attractive profit-sharing schemes and even encouraging employees to turn entrepreneurs (see accompanying report). All, of course, backed by rigorous training programmes, foreign tours, more autonomy in operations and paying a premium for loyalty.

So where does all this leave companies? Certainly, many face higher salary bills. Example: managers' salary bills at lighting and audio giant Peico Electricals & Electronics have shot up by 17% this year, from last year's levels.

What's more, most corporations will have no option but to pay managers more, simply because the scarcity will only worsen. A study by a Bombay-based management institute estimates that India will require two lakh more managers between 1990 and 1995. The existing management institutes can turn out a mere 50,000-odd MBAs in this period, a fourth of the number required.

What this means for Indian managers, of course, is clear: fatter pay cheques and a sellers' market for years to come.

THE LUCRE LURE

The Great Salary Scramble is on. As companies nationwide feverishly poach on other corporations' personnel or protect their own flanks, managerial salaries and perquisites are going through the roof.

Indeed, over the past three or four years employers have found new ways of pampering managers, some of them very innovative. Payments to key managers often take bizarre forms. According to one recent survey on managerial remuneration, some employers hold out fat sums of cash as an incentive to potential recruits. The 'bonus' is paid when the executive joins the company. Other offbeat attractions include 'kitchen allowances,' profit-sharing and vacations abroad for the family. Increasingly, companies are offering payments in kind: cars, air-conditioners, and what have you.

But hard cash continues to predominate, as always. Says A.F. Ferguson human resources development (HRD) head Anita Ramachandran: "Non-monetary incentives are increasingly serving the purpose of recognition. They also convey the fact that employers care. But the bottom-line is still salaries."

Here's a sample of what companies are doing to retain or attract managers and executives:

MANAGEMENT GRADUATES: SOARING SALARIES**

	GROSS SALARY (Rs./month)		
	1990	1991	1992
Citibank	5,195	7,500	8,750
Citicorp	4,000	5,250	5,875
HCL-HP	4,200	6,175	6,400
Blow Plast	4,047	4,833	5,666
Mafatlal Fine & Spg.	n.a.	5,625	6,125
HMM	4,020	4,250	5,080
CMC	3,200	4,064	5,054
Eicher	n.a.	4,500	5,700
Cadbury	3,320	4,300	4,700
Procter & Gamble	4,410	4,743	5,166
Maruti Udyog	4,100	4,118	5,243
ICICI	3,700	3,700	4,500
Ballarpur Industries	4,650	5,250	5,250
Crompton Greaves	3,500	4,000	5,000
Modi Xerox	3,000	4,690	5,600
Ranbaxy Ltd.	4,000	5,000	6,000
Escorts Ltd.	n.a.	4,400	5,000
Motorola	n.a.	n.a.	7,000
Mckinsey	n.a.	n.a.	37,500

* As companies have different parameters for calculating gross salaries, many components may not be included

** Estimates based on data from INFOEDGE, Xavier Labour Relations Institute, Noble House and companies

FATTER PAY CHEQUES

If evidence is needed that salaries are heading skywards, cast your eye at the bottom of the corporate ladder. The average salary corporations offer graduates of IIM, Calcutta, for instance, has shot up over the past five years by a sizeable 81%, from a modest Rs 2,650 a month in 1986 to Rs 4,812 in 1991.

Look also at what individual concerns are doing. Last year, Hero Honda woke up to the fact that its salaries compared unfavourably with those of other automobile companies. Says Hero



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High Physical Quality of Life. *Kerala is well-known for its pleasant tropical climate and unmatched scenic beauty. The State is equally renowned for having India's highest Physical Quality of Life Index (PQLI). Due to its most extensive and comprehensive healthcare and educational facilities, Kerala enjoys the highest life expectancy and the lowest death and infant mortality rates. The State is one of India's most advanced and enjoys stable peace and harmony at the societal level. Thus providing the right environment for company executives, workers and their families.*

Durable industrial peace. *Harmony at the societal level has percolated down to the industrial arena too. Mandays loss have come crashing down by 70% in 1991, as compared to 1986. Kerala's industrial sector is one of the most peaceful and productive in India.*

Home to successful businesses. *It's no wonder that the Tatas, Birlas, Thapars, RPGs, AMPs... have successfully capitalised on Kerala. A number of Kerala-based companies are also phenomenal global successes especially in the coir, cashew, marine products and spices sectors. In fact, professionally managed businesses have always done well in Kerala.*

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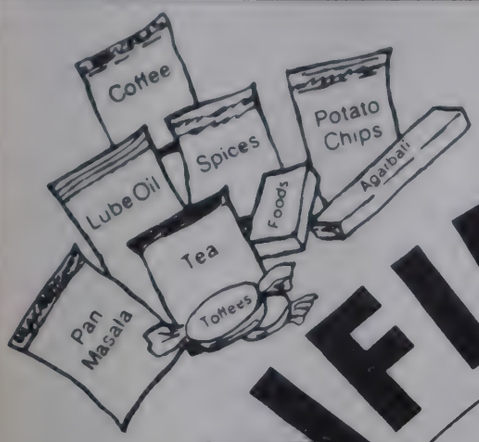
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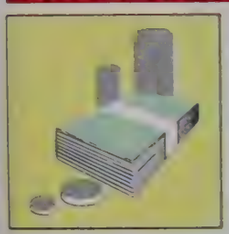
A future packed with potential

Concept

Honda personnel manager Ranjit Bhatia: "Our gap with our nearest competitors was as much as 20%." The result: the company hiked salaries by an average of 20% for all executives.

Strikingly, the pace at which companies review salaries is picking up. In Bombay, Blow Plast now reviews its salaries every year. Five years ago, it used to review salaries once in three years. Software exporter Cosl revised salaries twice in the past two years to keep in step with market rates. At Procter & Gamble, when recruitment began last October, the salary for fresh MBAs was Rs 50,000 per annum. By November, it had risen to Rs 62,000 — and is expected to rise even higher in the next three months.

PROFIT-SHARING



Among the latest corporate gambits in the money sweepstakes is profit-sharing. Outfits such as Thapar Waterbase have plans to offer key staff a percentage of the business' profits. Under the Thapar company's plan, executives can earn up to 75% of their salary as a percentage of the profits. Being an export unit the earning is tax free.

PRODUCTION INCENTIVES

Another favourite of employers: production and sales incentives. Till recently, these were confined to labour, but are now spreading to managers too. Last year, Hero Honda introduced a production incentive scheme based on monthly production targets for managers. Escorts offers its managers a lucrative commission based on production targets and sales performance — anything from Rs 25,000 to over Rs 1 lakh. Says Escorts vice-president P.K. Lal: "We have three slabs for determining commission which are based on various parameters like production targets, ability to innovate and strategic thinking."

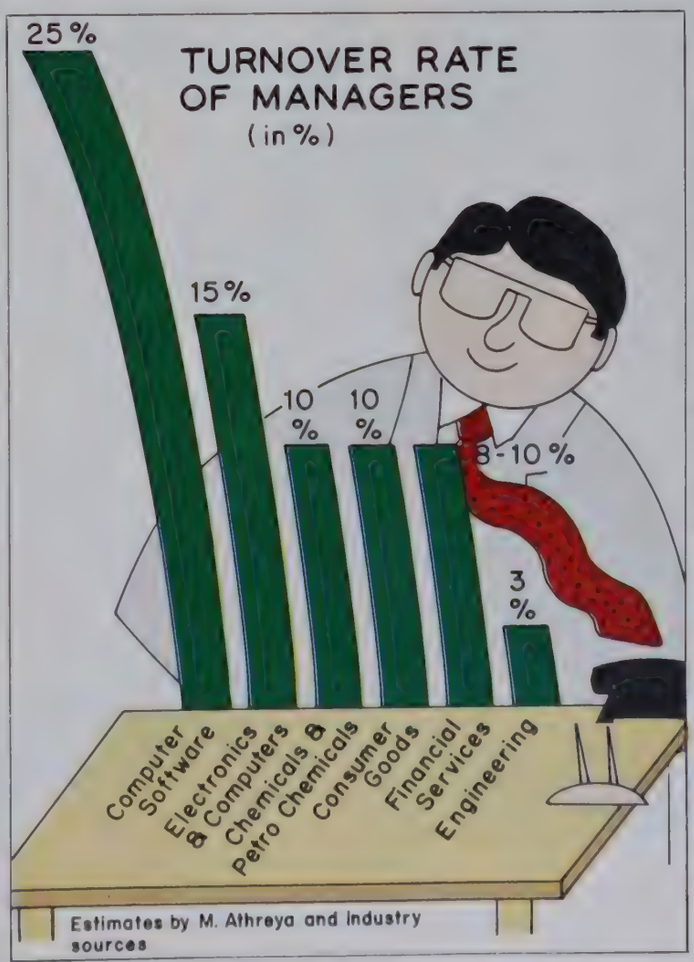
STOCK OPTIONS

Fatter pay cheques are not the only means of retaining personnel. Cadbury and Blow Plast are looking seriously at stock options. Says Cadbury vice-president A.D. Joshi: "Basically, the company will keep some equity for its employees, which they can sell at the market value some years down the line." The logic here is that if executives work hard, profits will surge — as will the price of the company's share.

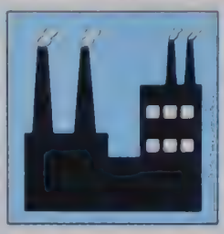
PUTTING WIVES ON PAYROLLS

This one can be charitably described as 'innovative tax planning.' Tea companies, in particular, have been trail-blazers here. The modus operandi is simple: put the wife of a manager on the payroll.

Tea garden executives at Williamson & Magor get a stipend ranging from Rs 1,500 to Rs 3,500 a month for their wives. Explains company director R.L. Rikhye: "The idea is to ensure that the wives stay in style and have their own income." Kanoria Chemicals provides jobs for the wives of managers wherever possible.



HELP IN FLOATING A BUSINESS



That's what some companies are providing executives these days. The practice is still to catch on, but at least two relatively fledgling outfits are working on plans to introduce the joys of entrepreneurship to staff. Newly-constituted aquaculture company Thapar Waterbase is finalising plans to help its executives become entrepreneurs, in a manner of speaking.

Thapar Waterbase focuses on nurturing prawns, shrimps, snails and other forms of marine life in ponds in Andhra Pradesh for the export market. It is planning on encouraging executives to set up their own ponds which Thapar Waterbase will manage; executives can either export their product directly or sell it to the company. Says chairman Vikram Thapar: "With other companies also entering the field of aquaculture, many might try to steal our executives. So we have to guard against that."

Striking out on your own is also actively encouraged by HCL-HP. Confirms personnel manager Inderjit Walia: "We will try and co-promote companies for managers who have a keen business sense. We plan to set up 12 such companies in the next 18 months."

HCL-HP has already spun off four subsidiary companies in which it has a majority stake. But executives-turned-entrepreneurs who can control as much as 49% of the equity have the option of buying HCL's equity over a period of time.

FOOTING EDUCATION BILLS

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The car tyre designed by a car.

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gained momentum. More concerns are focusing on meeting the needs of managers' children. Williamson & Magor forks out Rs 1,000 a month to cover children's boarding school expenses — and provides air fare for children to fly to school and return home. A well-known foreign bank in India even pays for the entire education of its managers' children at any overseas school or college. Pharmaceutical manufacturer Ranbaxy reserves seats in various Delhi schools for them.

Tractor and light vehicle manufacturer Eicher Goodearth has gone a step further — it has flagged off an Eicher Educational Service which will set up a chain of schools near its factories and in cities. A school in Delhi for the children of staff is on the anvil. Scholarships will soon be offered for higher education for some of the brighter children.

THE NEW HRD FOCUS

Companies are also increasingly turning their attention to motivating staff, improving the boss-subordinate relationship and formulating well-focused career plans for ambitious executives. Last year, the Mafatlals spun off a separate HRD division from its personnel department to focus on recruiting and retaining people. Says Mafatlal Fine Spinning & Manufacturing Co general manager R.R. Likhite: "Over the past six months, recruitment management has become a major activity in the company."

Eicher's top brass spends 6,000 manhours each year discussing career plans for executives. What's more, the company conducts annual attitudinal studies among employees to identify problems they face.

At Peico, a special HRD committee comprising the top brass spots bright executives and grooms them for senior posts. Those picked undergo various special training courses so that they can take on new challenges. Blue Star, for instance, recently set up a Blue Chip club where senior managers sit with the chairman frequently to thrash out differences.

Siemens has introduced the 'mentor' concept. As the term suggests, each executive will have a godfather who will not just nurture his career but also give him emotional support.

Then, many concerns are encouraging training programmes. At Du Pont Far East Inc, nearly all executives go through "continuous self-improvement programmes." Explains Du Pont president Sam Singh: "These programmes help to set work standards and provide challenges to executives." Following the same principle Mafatlal Fine has already sent as many as 14,000 employees through various company training programmes.

FOREIGN TRAVEL



This attraction offered to employees has been around for years. But it's gaining in popularity. Each year, the Aditya Birla group sends about 50-odd managers to its numerous plants in south-east Asia.

The Industrial Credit & Investment Corp of India (ICICI) does this too. Last year, it sent as many as 20 managers for various training programmes abroad. The Calcutta-based RPG Enterprises goes one better: it sends two senior managers to attend Harvard Business School programmes every year.

Reflecting on the advantages of foreign postings as a perquisite, ICICI

ESCORTS LTD

Offers commission to senior managers based on production targets. Reviews salaries every year; it is now redesigning job content and offering special increments to high-fliers.

THAPAR WATERBASE

Plans to introduce a profit sharing scheme for executives. Will encourage them to be part-time entrepreneurs.

ADITYA BIRLA GROUP

Sends managers abroad for postings, offers special premium for loyalty and is now introducing classroom training, rather than on-the-job training only.

BLOW PLAST LTD

Looking at stock options for brass. This toy company encourages inter-functional transfers, and swears by quicker promotions.

HINDUSTAN LEVER

Has an elaborate training and developmental programme both in India and abroad. Is cutting organisational flab and encouraging closer boss-subordinate relationships.

MAFATLAL FINE SPINNING

Recently introduced a separate human resources division and hiked salaries. It now offers liberal foreign tours.

BLUE STAR LTD

Encourages job rotations; has set up an employees' grievances cell and a blue-chip club for senior executives.

CADBURY

Renovating office decor; loo at stock options; hiking sala

EICHER GOODEARTH

Closely monitoring the career path of its executives; conducting attitudinal surveys to identify problem areas; is setting up an Eicher Educational Service to take care of employees' children.

PEPSI

Encouraging executives to take up broader job responsibilities.

KANORIA CHEM & INDUSTRIES

Paying a premium to loyal executives; offering them Maruti cars and fancy designations.

RPG ENTERPRISES

Provides job challenges to a 'floating pool' of high-calibre high-flying managers; sendi executives to Harvard Busin School every year.

company secretary Dilip Mehta points out: "Foreign trips, apart from acquainting executives with the latest developments, are also profitable as they (the executives) stay for a year and earn in dollars. Executives tend to feel that they are on the fast track."

PAYING FOR LOYALTY

Taking care of executives is essential to their staying on. One ingredient that traditional business groups are trying out: special payments for loyalty. Managers who've worked for Aditya Birla companies for at least 15 years get an increment over and above their normal annual raise. Says group consultant P.N. Singh: "The loyalty premium has helped us contain the turnover rate."

FREE CARS

Yet another oldie, but a sure-fire winner for all that. Cars continue to be brandished as a perquisite. At Kanoria Chemicals, executives get to own a Maruti car free after five years with the company; after three years they have the option of retaining the car by paying only half its price. Says joint managing director R.V. Kanoria: "Our policy is to take care of the employee and see to it that he feels good and involved with the company."

HOUSING

If cars are offered, can houses be far behind? Most such schemes are tailored so that valuable employees stick to the employer. A well-known foreign bank offers its managers a Rs 14 lakh housing loan at a very nominal interest. The loan is repayable only after retirement. The bank helps managers to repay the loan by offering them foreign postings. Managers also have the option of selling the house at a premium.

Cosl too offers its staff a liberal (90% of the cost of the house) loan. And at HCL-HP the company is thinking of taking housing loans from finance companies at existing interest rates and lending the money to executives at a subsidised interest rate.

RETIREMENT BENEFITS



A posh lifestyle, housing benefits, what's next on line? Life after retirement, of course. Lucrative pension benefits are fast rising to the top of the heap as a star attraction for middle-level executives. Ranbaxy, for instance, takes care of the medical and even housing needs of its top managers and is looking into the possibility of offering them club memberships after retirement. Hindustan Lever picks up the medical bills of its senior managers after they retire. So do several other multinationals.

CATCHING THEM YOUNG

There's nothing better than catching 'em young. The canny are doing precisely this: Procter & Gamble, for instance, rolls out the red carpet for summer trainees from various management institutes to ensure that they come back and join the company later. Says personnel manager Ronald M. D'Souza: "Currently, 50% of our new trainees are from the summer training programme."

The Mafatlals are sponsoring post-graduate management programmes in various middle-rung institutes in and around Bombay, besides funding scholarship schemes in various engineering colleges. And it certainly doesn't hurt when the scholarships act as a major image-building exercise and help attract students to the company.

...AND AT THE MIDDLE LEVEL

Catching 'em young apart, companies are also tapping middle-rung executives to beat the shortage of executives at the entry level. HCL-HP for instance, now looks at non-computer professionals for senior posts. Sandoz found it more prudent to pick up executives with a few years of experience from other companies rather than competing unsuccessfully at the premier management institutes.

At Ballarpur, as much as 25% of the recruits each year are from other companies. But cautions Ballarpur general manager Anand Shome: "One has to do this with care; otherwise there will be confusion and a clash of different cultures in the company."

DELEGATING POWER

The name of this game is empowering young executives with new challenges. At Blow Plast, fresh MBAs become branch managers reporting directly to the zonal managers in only a year; five years back it would have taken at least four years. The company has also increased the manager's line of control — today as many as 15 executives report to a manager. Three years back, only eight executives did so.

That scenario is getting duplicated in an increasing number of companies. At Mafatlal Fine, just two years back, young junior managers were put in charge of an independent profit centre. Says Likhite: "In textiles we have set up five profit centres with businesses ranging from Rs 35 crore to Rs 120 crore where a manager is given total responsibility. We give them this position in recognition of their performance."

Recognition comes in a different form in Escorts. The company has constituted a management council consisting of all its senior managers, where strategies are discussed and decided. Lal points out that just a few years back all strategic decisions were taken by the owners. Today, recognising the increasingly important contributions managers make, decisions are by consensus.

How then does a company stay ahead in this era of the great managerial crunch? As many a firm is finding out, there really isn't any single foolproof recipe for success. But it certainly helps if you have innovation and enterprise — and can ensure the loyalty of ambitious executives.

□ Surajeet Das Gupta in New Delhi and Mahasweta Ghosh Roy in Bombay

(With D.N. Mukerjea in Calcutta and A.H. Ghani in Bangalore.)

RANBAXY LTD

speedier promotions. The company is introducing attractive pension schemes, apart from taking care of the schooling needs of the children of executives.

HCL-HP LTD

fast track promotions; encouraging managers to become entrepreneurs; recruiting MBAs with experience as they are less likely to leave.

CITICORP

providing attractive housing loans; conducting attitudinal surveys to identify problems; also organising open house sessions of executives.

Heads roll as the securities scandal shakes up the banking system.

WIDENING RIPPLES



MEHTA: *I have not done anything wrong. Let the inquiry get over, you will know everything*

Date: May 13. Scene: The Bombay stock exchange (BSE) boardroom on the 26th floor of Jeejeebhoy Towers, Dalal Street. The BSE disciplinary committee was meeting to consider what action should be taken against members Harshad Mehta, his wife Jyoti and brother Ashwin.

Two non-brokers were present on the occasion: Manu Shroff, the economist and former journalist, and U.C. Dixit, a nominee of the Securities & Exchange Board of India (Sebi).

By more than one version of events, the meeting was pretty stormy. Who set the ball rolling is not clear, but Dixit argued strongly for Mehta's expulsion from the bourse and the confiscation of his card — without seeking his explanation. Apparently, Dixit accused the BSE of dragging its feet on the matter.This triggered off a sharp reaction from BSE executive director M.R. Mayya, who retorted that the exchange couldn't take action on the basis of hearsay.

The BSE board met two afternoons later; this time Mehta had been summoned to its presence. The Big Bull promised to meet all his obligations. He even offered to stop trading, if the board so desired. Clearly not impressed, BSE president G.B. Desai accused Mehta of tarring the reputation of all brokers. Mehta's reply: "Govindbhai, I have not done anything wrong. Let the inquiry get over, you will know everything. I will stand by whatever outstandings I have." As he got up to leave, Mehta delivered a parting shot: "I hope you won't suspend me. In any case, I am going to court to nullify the CBI order (freezing his bank accounts)..." The implication was clear: if he could fight the CBI, there would be nothing to stop him from taking on the BSE too.

Predictably, the board did suspend Mehta, his wife and brother indefinitely. For good measure, it also slapped a Rs 50,000 fine on Jyoti Mehta over a *badla* matter.

As the government starts unravelling the threads of what is clearly the country's biggest financial scandal in decades, heads are rolling like never before. Mehta, himself expelled from the BSE, his home and offices raided by taxmen in late-February, is the subject of a CBI investigation and could be arrested if the investigation yields firm evidence of wrong-doing. As the stockmarkets tumbled in reaction to the controversy, the value of Mehta's holdings is said to have plunged from Rs 900 crore to around Rs 300 crore.

Mehta isn't the only one with woes.

The government has asked UCO Bank chairman K. Margabanthu to proceed on leave. State Bank of India (SBI) deputy managing director C.L. Khemani has gone on leave, either of his own volition (as Khemani's friends insist) or because he was asked to. National Housing Bank (NHB) chairman M.J. Pherwani resigned after messy securities transactions at the Reserve Bank of India (RBI) subsidiary came to light. This last episode came to a tragic end last fortnight, when Pherwani passed away following a massive heart attack.

These are not the only financial sector officials to be caught in the vortex of the controversy. The RBI has packed off the managing director of the Bank of Karad, a small Maharashtra-based bank. Bhupen Dalal, a director of the bank, has also been given marching orders. At a different level, an assistant general manager and a manager at NHB have been suspended. At SBI, at least two officials have been suspended. Late last fortnight, CBI joint director K. Madhavan was poised to file chargesheets against the suspended SBI officials.

What's more, the security transaction books of several foreign banks have not tallied. Standard Chartered, for instance, will report hefty losses on its securities business. And although a StanChart spokesperson virtually denied that the bank's head office had sent a team to investigate affairs at the Bombay branch, reports from London indicated just the opposite, with the head office earmarking at least £50 million to cover losses in the Bombay branch.

Three other foreign banks have, meanwhile, been caught in the glare of publicity for different reasons. ANZ Grindlays has sought legal advice after a controversy over its deal with NHB and its crediting of RBI account payee cheques meant for Grindlays into Harshad Mehta's account. According to insiders in the bank, its head office in Australia had sent a team to inspect the books at its securities department in Bombay. Then, RBI officials told journalists in Bombay that the central bank had been investigating Citibank and Bank of America.

The RBI has asked experts from the central banking division of the IMF to suggest new, improved procedures for the securities market



RBI governor S. Venkitaramanan apparently favoured taking over Mehta's share assets, at some kind of discount, so that the cash could be recovered.

DEEPER INVESTIGATION

Last fortnight, the RBI also sent inspectors to look into the books of most major banks, even as an official committee headed by RBI deputy governor R. Janakiraman began looking into the scam. Also, the RBI summoned officials of banks and mutual funds to its public debt office (PDO) at its multi-storeyed building in Bombay. Said RBI chief officer N.D. Parmeswaran: "We've called all the mutual fund managers with their BRs (Bankers' receipts) so that we can tally them." And CBI officials began questioning functionaries at several banks, including SBI chairman M.N. Goiporia.

With all this going on, senior Bombay-based functionaries of foreign banks in the thick of the rumpus scurried for cover and were unavailable for comment. And those who did pick up the telephone were tightlipped. Asked for comments on the securities market tangle, Bank of America vice-president Alok Agarwal said: "We are not interested in commenting on this."

Quite. Increasingly, questions are being raised about the functioning of major foreign banks. The chief executive of a finance company belonging to a major business group alleged, on condition of anonymity, that "before the coupon rate was hiked last October and after the last budget, foreign banks short-sold securities to nationalised banks, and then bought them back at a lower rate — even though they didn't have the securities." The more conservative of the foreign banks, meanwhile, worried that all foreign banks would be tarred with the same brush. Perhaps reflecting this, ABN-Amro Bank chief executive Ashok Kapur said: "Foreign banks have better systems and controls."

As the controversy heated up, the mood in the securities market turned grim, with unconfirmed reports of defaults trickling in. "Over the last few days, there's a total lack of trust among players in the market," says a leading securities broker in the capital. "Brokers don't trust other brokers, brokers don't trust banks, banks don't



Finance Minister Manmohan Singh initially was for recovering the money first, before looking into other issues. But after some days, his approach changed.

MILESTONES IN THE SCAM

April 1991: The RBI investigates the Bank of Karad. More than a year later, RBI governor S. Venkitaramanan would tell journalists in Bombay that the outcome of the investigation set off alarm bells.


KHEMANI

Late February 1992: Income tax sleuths raid Harshad Mehta, his brother and family, as well as Growmore group companies. Their findings are still under wraps, but some believe that taxmen tipped off the RBI to the scam.

March: RBI launches a massive effort to reconcile BRs and securities books. It discovers a discrepancy to the tune of Rs 1,100 crore — over Rs 600 crore accounted for by SBI alone.

Mid-April: SBI fails to reconcile its securities books. The gap runs to over Rs 600 crore. Meanwhile, National Housing Bank (NHB), a fully-owned RBI subsidiary, in effect raises several hundred crore from a clutch of mutual funds and banks in a "ready forward" deal. NHB then transfers the funds to ANZ Grindlays, which puts its cheques into Harshad Mehta's account at the Australian bank.

Soon, SBI squares up on the securities front. On April 27, SBI chairman M.N. Goiporia reports to the SBI board that the money has been recovered.


PHERWANI

22 April: SBI deputy managing director (treasury) C.L. Khemani goes on leave. Shortly thereafter, the government orders a CBI inquiry into the scam.

28 April: First rumours of the scam spread like wild-fire on the bourses. The BSE Sensitive Index falls by 570 points.

Early May: An RBI committee is appointed to look into the scam. The RBI also begins to investigate the securities transactions of major banks.

NHB defaults on its commitments to Deutsche Bank and Canbank Mutual Fund.


MARGABANTHU

9 May: M.J. Pherwani quits as chairman of NHB.

10 May: The government asks Uco Bank chairman and managing director K. Margabanthu to proceed on leave. Apparently, Uco Bank arranged for "accomodation bills" worth Rs 50.37 crore in the name of three Harshad Mehta companies. The deal didn't have the Uco board's sanction.

14 May: The income-tax department launches an exercise to assess the holdings and assets of Harshad Mehta and his group of 30 companies. CBI asks all banks to freeze Mehta's accounts.

15 May: The BSE board summons Harshad Mehta, who offers not to trade in shares, provided the board doesn't suspend him. The board doesn't oblige: Harshad Mehta, wife Jyoti and brother Ashwin are indefinitely suspended.

trust other banks. Everybody's got caught on the wrong foot."

The giant securities market, whose annual business runs to over Rs 1,00,000 crore, has come to a virtual standstill. Confirmed the head of a securities department of a bank in Bombay: "Trading in non-statutory liquidity ratio (non-SLR) securities is at a halt. No BRs are being accepted, because nobody knows whose BR is genuine."

With banks halting the illegal financing of *badla* deals in the stock markets, funds dried up for this kind of speculation. *Badla* financing rates shot up to around 70%, as against the usual 24% to 30%.

Concerned by all these developments, some security brokers sounded the banks on a financial rescue package for Harshad Mehta. Says the head of a nationalised bank's mutual fund: "We were approached by a few brokers." But with no institution eager to take the initiative by itself for fear of being labelled a Mehta camp follower, the move fell through.

The root of the current problem, of course, is the Rs 600-odd crore shortfall at SBI. Reams have been written about the scandal, and even more about the man at the heart of it all — Harshad Mehta. Yet, bits and pieces of fresh evidence suggest that the problem goes beyond the SBI, and that the RBI was aware of such transactions in securities as far back as March or April 1991.

A top RBI source said that around that time, unusual transactions were spotted at the Bank of Karad. Apparently, the bank's volume of securities business vastly exceeded its SLR requirements. A former employee

of an organisation connected with the bank claimed that the bank had indeed been issuing BRs on a large scale since 1981. He added: "When you don't have a BR, you ask your friendly banker to issue one." Implicit in this is the accusation that banks issue fake BRs (BRs that are either not backed by securities, or are forged). According to Bhupen Dalal, the RBI had cleared the bank of any wrong doing after an investigation in the month of April 1991.

After the investigation, the RBI issued guidelines on transactions in securities (the issue of BRs should be the exception, not the rule; transactions should be put through banks' accounts and not through the accounts of brokers) in July — and informally told the SBI to keep an eye on its securities transactions.

In March 1992, the RBI launched an intensive exercise aimed at reconciling BRs and its securities general ledger (SGL), where securities deals are registered. To its dismay, it found that a Rs 1,100 crore gap, some Rs 600-odd crore of which was traced to the SBI. Earlier, when the bull run began on the stock markets, the RBI had quietly begun looking into Harshad Mehta's sources of funds. It discovered that Mehta had over Rs 170 crore in an SBI account. Once again, the bank was warned to keep a close watch on the situation.

The RBI now takes credit for triggering off suspicions. But some bankers privately say that taxmen may have tipped off the RBI after the raids on Mehta's home and offices. With the income tax department declining to reveal its findings, the truth of the matter could not be determined. Questions are also being asked as to why the central bank didn't take action earlier. Referring to the NHB transaction, a securities broker asks cynically: "Why didn't the RBI warn its own subsidiary?"

Whatever the reason, once the scam was unearthed RBI governor S. Venkitaramanan apparently favoured taking over Mehta's share assets, at some kind of a discount, so that the cash was recovered. Finance minister Manmohan Singh too initially was for recovering the money first, before looking into other issues. But after some days, Singh's approach changed, to the RBI governor's unhappiness. The finance minister demanded penal action against the guilty. CBI joint

"NHB HAS BEEN RAPED"

At first sight, the fifth floor flat in Bombay's Khar suburb is distinctly modest. The ambience is middle class. Small bedrooms, a tiny balcony; the only area where space doesn't seem at a premium is the drawing room.

It is difficult to imagine that this apartment belonged to Manohar J. Pherwani, once chief of UTI and, more recently, of NHB and Infrastructure Leasing & Financial Services (IL&FS). Pherwani lived here with his wife, son, his brother and his brother's family.

Ever since he quit on 9 May, Pherwani was largely confined to his home, depressed, almost broken. "I no longer have a salary," he said ruefully in an exclusive interview with *Businessworld*, only two days before his death.



"NHB has been raped," he said despondently. "It was used as a conduit." According to him, NHB handed out three or four RBI cheques to ANZ Grindlays. The sum involved: Rs 300-400 crore. "How did Grindlays credit the cheques to Harshad Mehta's account?" he asked. "These were account payee cheques."

Was he aware of the NHB deal? "It was a bolt from the blue," he said. Pherwani had been travelling for much of the year and had, in fact, just returned from Goa when the scandal broke. Only two months ago, he had seen the report presented by an auditor he had appointed; it hadn't brought any discrepancies — or huge profits — to light.

Ironically, Pherwani hadn't even met his nemesis in nearly five years. "I banned him from entering UTI in 1987. I haven't seen him since," he said.

A dramatic end. The securities scam dramatically ended the career of a man whose own life had been rich in drama. The son of a wealthy businessman in pre-partition Sind, Pherwani came to India penniless. He studied in Bombay, joined the General Insurance Corp as a junior officer and rapidly climbed the ranks to become managing director, thanks to two double promotions — a public sector record.

He then moved to UTI as chairman, where he put units on the financial map. Incidentally, during all these years, the man who popularised the sobriquet 'Big Bull' claimed that he never owned a single share. All the same, he was rather abruptly ousted by the government when UTI was linked to a controversial deal involving the sale of Larsen & Toubro shares to Reliance Industries. The setback was temporary; he was soon back in action, this time as chairman of four companies, IL&FS and NHB included.

In the end, however, Pherwani was a disillusioned man. He expressed no interest in returning to the posts he had just quit. "This country doesn't need me... it will be better for me if I go and settle abroad." That was not to be.

The photograph of a running horse was prominently displayed in every office he occupied throughout his career. It symbolised his credo. "You should always be in motion," he explained simply. "Life's like that."

For Manohar Pherwani, it certainly was.

director K. Madhavan took the matter beyond debate when he froze Mehta's bank accounts. Venkitaramanan was unavailable for comment, but a reliable source told *BusinessWorld* that the governor now feels that he is being pilloried for the scam.

Interestingly, the RBI is now seeking the help of experts from the central banking division of the International Monetary Fund (IMF) to suggest new and improved procedures for the securities market. The IMF, the source said, had experience in looking at central banking procedures in many countries.

Meanwhile, fresh details of the scam at SBI have surfaced. Apparently, the unreconciled BRs came to the attention of Khemani on 9 April. The SBI deputy managing director informed chairman Goiporia on the same day. What happened next is not clear. According to a member of the SBI board, Goiporia reported the matter to the full board only on April 27, well after the cash was recovered. But another SBI source maintained that an emergency meeting of the board was held on 9 April, and Khemani was told to recover the money.

Khemani then called Harshad Mehta to his office on 10 April and asked him to pay up. Mehta replied that he could not arrange that much cash immediately, and pleaded for a week's time. This was agreed to, and Mehta forked out Rs 662 crore between 12 and 20 April — nearly Rs 25 crore more than what was due to the bank. This happened because SBI found that some of the SGLs didn't tally, and the bank asked Mehta to cover these too, although it later turned out that this was not his fault. As a result, the SBI now owes Harshad Mehta Rs 25 crore!

If the Big Bull got into a financial crisis, it's quite clearly because the SBI finally began tallying its books. As brokers and bankers tell it, his method of operation involved what is referred to as "creating a fortnight's (or a month's) float." Normally, brokers act

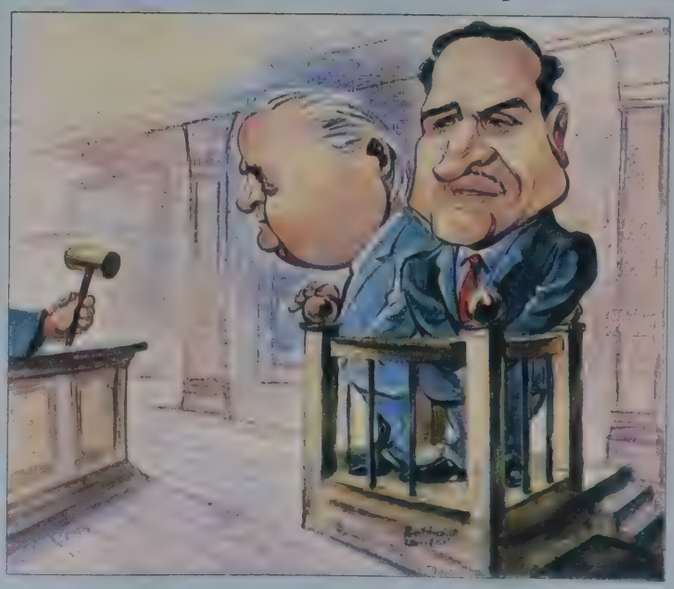
THE MEN IN THE DOCK...

C.L. Khemani

For a man so unceremoniously disgraced, Cheddi L. Khemani certainly draws an unusual amount of approbation. In Delhi, a securities broker holds him in high regard: "I've dealt with him for years, and I think he's a very straight banker." In Bombay, a former SBI officer says he is "a very gracious, kind man."

So, is Khemani more sinned against than sinning?

Perhaps only Khemani and the SBI brass know for sure, and both are tightlipped. But it's evident that the controversy surrounding his decision to go on leave is taking its toll. Khemani refuses to speak to journalists or be photographed. According to friends, Khemani rarely leaves his Cuffe Parade flat; he spends much of his time receiving endless telephone calls from well-wishers. A friend reports him as stating, only half in jest: "This scam has made me famous."



The SBI deputy managing director in charge of treasury operations began his career with the bank 35 years ago as a probationary officer in Darbhanga in Bihar. Among other things, he served as principal of the bank's rural training institute in Hyderabad in the late seventies, and put in a stint as former chairman D.N. Ghosh's principal aide, before being shifted to the treasury department some two years ago.

Khemani has two brothers, a working son, and a married daughter. His daughter has reportedly returned home to provide her father with moral support.

K. Margabanthu

Two days after the government asked K. Margabanthu to proceed on leave, a phone call to his house evoked a distressed response. On the other end of the line was his wife, who blamed the bank's unions for her husband's current plight.

It's not quite that simple of course, but the soft-spoken Uco Bank chairman has his share of enemies in the institution he joined only last September. He didn't enamour himself to Uco personnel by shunting out incumbents of key posts in the bank, and replacing them with hand-picked former colleagues at SBI. His suspending 100 Uco staffers on corruption charges didn't help, either.

Chief of SBI's Madras operations till he shifted to Uco Bank, Margabanthu is widely viewed as an image-conscious officer in a hurry to make a mark. Uco Bank had piled up losses of Rs 98 crore, and was poised to report a nominal profit of Rs 5 crore in 1991-92. Reserve Bank sources say that part of this profit could have come from the risky, high-profit businesses it undertook after Margabanthu took over as chairman.

Old timers at the bank are plainly hurrahing their chairman's discomfiture; but, in the process, a bank that sorely needed cleansing could lose out. Margabanthu himself has been tarred badly. Had he stayed on at SBI, he may have comfortably banked on a far more successful career.

as intermediaries between banks in security deals, charging them both a 0.25% brokerage. If, say, Bank A wants to sell securities because it has more than enough to meet its SLR requirements or is eager to improve its portfolio mix, it sells them to, say, Bank B through a broker. Bank B normally gives Bank A a cheque. Bank A may not physically possess the securities (they may be in another city, or with the RBI). So it gives BRs (in essence, a promise to deliver securities some time in the future) to Bank B.

Apparently, in this case, Mehta did not pass on the BRs to Bank B (the bank buying securities), but introduced them to a third bank, from which he'd obtain money. Put differently, BRs became a means of creating money. And Mehta was able to do this with the connivance of junior bank staff. The official at Bank B would "forget" to collect the BRs from Mehta. This was all the more possible because the market for gilt-edged securities has thousands of transactions every day.

In the complex world of securities, banks often do forward deals in the expectation that security values will dip or rise in the future. Sometimes, even more complicated double deals are struck. So if the deal between Bank A and Bank B was for one month (that is, if Bank A is to return the money to Bank B after a month and Bank B is to return the BRs after a month), Harshad Mehta could play around with the money for a month.

And if after a month, he had to return the BRs to Bank A, all he had to do was to introduce another set of BRs, of higher value than the first set, and get money in the manner he did before. In sum, he played around with the BRs of numerous banks.

In all Mehta's deals, none of the banks involved informed the RBI's PDO of the deals. And none of the BRs carried Mehta's signature. Nor did any bank give any covering letter when cheques were handed over to other banks. Instead, junior bank staff would phone their counterparts at other banks and tell them to deposit cheques either into Mehta's personal account or into the account of one of his Growmore group firms.

For all this, his detractors claim, Mehta took on his firms' payrolls men from various banks. In the case of the SBI deals, an SBI official cited the

The fallout on the bourses

...AND THOSE IN HOCK

Who lost when the stockmarket bubble burst? Away from the spotlight, many speculators lost their shirts when the bull run ended. Investors, individuals and institutions, found the value of their portfolios crashing as market capitalisation plunged from an estimated Rs 2,00,000 crore shortly after budget to around Rs 1,25,000 crore last fortnight. Although brokers — some of whom also suffered huge losses — are reluctant to comment on record, the market was abuzz with talk of the big losers.



THE BSE RING: *To many, it was 'Nightmare on Dalal Street'*

Members of a consortium in Bombay, reportedly close to *badla* king Manu Manek, were among the worst hit after they short-sold ACC, Apollo Tyres and Reliance Industries. Individual losses topped Rs 33 crore. Says Shantilal Jhaveri (name changed), who sold his shop to recover part of the debt: "*Avo to ame vicharu notho* (We never thought this could happen to us)." Jhaveri scrambled to recoup as the market dipped but the Rs 75 lakh profit he has made falls far short of his losses.

Bakul Shah (name changed) has announced a sale and discounts of up to 30% in his shop. Shah, who made a whopping Rs 25 crore over a three-year period of speculating in the market, is now trying to salvage his losses. Vows the store owner: "From now on, I'll be just an investor."

In Delhi the owners of the sweetmeat chain Haldiram Bhujiawala were said to have sold their shop to cover their losses. According to another version, however, they were actually on an expansion spree! The owners themselves were unavailable for comment.

In Bombay, the proprietors of two reputed departmental stores, Benzer and Amarsons, are rumoured to have been rendered broke. According to the Dalal Street grapevine, at least one of the stores is up for sale. Both owners, however, are emphatic in their denial. Says Amarsons' Shamji T. Vohra: "This (talk of selling his shop) is all bogus." Adds Benzer's Chiman Savla: "These rumours are just humbug."

Jewellers in the metropolitan cities were among those frequently named as having lost heavily. In the capital, a prominent broker said the owners of Shri Ram Hari Ram Jewellers were among those in the hock for crores. But this was denied by J.P. Gupta, one of the owners, who said, indignantly: "We do not speculate."

In Bombay, a Jhaveri Bazar jeweller was disinherited by his father after he incurred losses estimated at Rs 45 crore. As family members tried to mediate and relatives stepped in with an emergency loan of Rs 10 crore, the father set one condition: his son would have to promise that he would not invest a single paisa in the stock market.

There were more than a few promising to do just that, as speculators mourned their losses last fortnight.

name of a former SBI Capital Markets employee who, he claimed, liaised with junior SBI oficials.

Evidently, Mehta's modus operandi came into play in the NHB-Grindlays deal. Strapped for cash to meet his obligations to the SBI, Mehta may or may not have turned to NHB officials for help. In any event, NHB approached Canbank Mutual Fund, Bank of India (BoI) Mutual Fund and Deutsche Bank, among others, for money. Canbank Mutual, for instance, lent NHB Rs 30 crore in mid-April against Indian Railway Finance Corporation bonds. BoI Mutual provided about Rs 100 crore, while Deutsche Bank chipped in with Rs 34 crore. These financial agencies paid NHB through RBI cheques. In an apparent securities deal, NHB wrote out account payee cheques to ANZ Grindlays and other banks. Grindlays promptly deposited them in Growmore's account.

SOME QUESTIONS

Several slips occured here. First of all, NHB had no business dealing in government securities. Pherwani said that he'd instructed NHB to deal only in the call money market, and to discount bills. Pherwani's statement was corroborated by a top NHB source.



When did State Bank of India chairman M.N. Goiporia tell his board about the unreconciled bankers' receipts — before or after the money was recovered?

CHINKS IN THE SYSTEM

The Harshad Mehta episode has cast a sharp spotlight on the chinks in the existing securities trading system. According to bankers and securities market brokers, these include:

The manual maintenance of the securities general ledger (SGL) at RBI's public debt office, and the fortnightly or monthly settlements of the SGL account. A broker isn't supposed to buy or sell securities himself. But if he does, and commits himself to supplying them to customers, settlement delays help — they buy time for him to hunt for securities when he doesn't have any. A computerised system of trading, on the other hand, would usher in daily reconciliation of the books.

Banks issuing bankers' receipts (BRs) that are not backed by securities. "A bank is not supposed to issue a BR unless it has securities," says A. Banerjee, chief executive of The British Bank of the Middle East.

Banks issuing BRs on the strength of other BRs. This, unfortunately, has become a fairly common practice and must be stopped.

Banks crediting cheques on the oral advice of other banks. When a bank pays another bank for securities, it is supposed to attach a covering letter along with the cheques, specifying what they are for. This isn't always done, as in the case of the NHB-ANZ Grindlays deal.

Secondly, NHB didn't attach with the cheques a covering letter informing Grindlays what the cheques were for and so on. "NHB gave account payee RBI cheques and Grindlays had no business putting them into someone else's account," said the NHB source.

Thirdly, NHB apparently has no documents such as BRs to prove that any transaction was done. Both sides have sought legal advice.

In New Delhi, a senior department of banking official said that action against the foreign banks whose names have figured so far in dubious deals "can be contemplated", although the RBI would take a final view on the matter. Grindlays, in particular, could be in trouble. Indeed, the market was abuzz with rumours of a crackdown on the Australian bank, with one dealer suggesting that the bank could lose its licence. That's unlikely to happen, but the Reserve Bank source said: "Grindlays' claim that it has nothing to do with NHB's BRs is untenable in court; it cannot claim that Harshad Mehta, a broker, is a principal in his dealings with NHB."

Amidst all this, Mehta issued a statement denying wrong-doing and seeking the release of his frozen bank accounts, on the advice of his lawyers. He had retained Kanga & Company and legal luminary Ram Jethmalani and associate S.B. Jaisinghania. Both Mehta and his lawyers declined to comment on the imbroglio, but Jaisinghania did say that a careful reading of the broker's statement would provide clues to future strategy. Plainly, the gambit is to get the bank accounts unfrozen, if necessary by going to court, and then to approach the BSE for permission to trade in stocks (a major reason for his suspension by the BSE was his inability to meet financial obligations).

Strikingly, Mehta's statement also pointed out that he had been only practising what the rest of the securities market takes for granted. Virtually every dealer and banker *BusinessWorld* spoke to confirmed that RBI guidelines are flouted with impunity (see box).

Unquestionably, the RBI committee will address itself to these issues, and to rapid computerisation of the securities market. The big question last fortnight, however, was: would Mehta be arrested? Among other things, he can be held for misappropriating the NHB-Grindlays money, for cheating, for criminal breach of trust by an agent, and if found guilty of these — and, in theory at least, be imprisoned for anywhere between seven years and life.

But several analysts argue that bringing Mehta to book can be counterproductive and will only cripple the banking system, since many more than the Big Bull are involved in countless similar scams. The next few weeks will prove whether that's a lot of bull or not.

□ Palakunnathu G. Mathai and Jiten Mehta
(With bureau reports.)

"OPPORTUNITIES ARE ENORMOUS"



The State Bank of India (SBI) made a late and somewhat tentative start in the field of housing finance, as recently as just four years ago. Initially, SBI chose to test the waters only in partnership with the Housing Development Finance Corp (HDFC) and its choice of headquarters — Calcutta — did not prove to be exactly conducive to fast growth. (The entire eastern region commands a bare 6% of all-India housing finance market-share.) However, with its teething problems now firmly overcome, SBI Home Finance has just marked the Rs 100 crore milestone — making it India's No 3 housing finance company, after HDFC and CanFin Homes. A more confident SBI is now taking steps to increase its shareholding and consolidate itself as SBI Home Finance's single largest shareholder; as of now, the bank's wholly-owned subsidiary SBI Capital Markets and HDFC each own 20% of the company's equity. Inevitably, it is also emerging as a credible voice for and on behalf of this fledgling but important subsector in India's financial services industry. BusinessWorld's *Sujoy Gupta recently spoke to SBI Home Finance managing director A.K. Sen.*

■ On the dimensions of the task facing the housing finance industry.

The seventh plan had estimated the five-year housing finance needs for the country at around Rs 30,000 crore. The eighth plan document projects that Rs 87,000 crore will be required for housing on a national basis. The challenge before us is that enormous investments will have to be garnered from private sources. Demand for the product (that is, housing) is limitless, and housing finance companies will have to gear themselves up to face very fast growth.

■ On whether the current market mechanisms — including National Housing Bank (NHB) refinance facilities — are satisfactory.

As you are no doubt aware, NHB's 100% refinance scheme is valid only up to a Rs 2 lakh ceiling or a 40 sq m floor. The Reserve Bank of India (RBI), very recently, has set up a high-power working group to study in depth the role of non-banking financial companies, which includes housing finance companies. This panel has been specifically asked to review the relative provisions *inter alia* of the National Housing Bank Act, 1987 and the Housing Finance Companies (NHB) Directions, 1989. So as you can see, the entire market mechanism aspect is being looked into with great detail just now.

Housing finance companies face the challenge of garnering enormous investments from private sources

■ On any specific suggestions he might have.

Our suggestions are detailed and intricate, but speaking very broadly, we would like to see a new money market instrument being introduced, best described as mortgage-backed security. The concept goes something like this: housing finance companies will have an increasingly large assets portfolio consisting of securitised real estate. To prevent this asset base from lying idle, and to enable faster recycling of the funds which have financed this asset base, a new type of corporate paper can be introduced, fully backed by this real estate asset base as security. If this paper is freely traded in the financial market, it can unlock huge funds which can be ploughed back into housing — to create more paper and thus unlock more funds, and so on in a spiral. It is a fair guess that this sort of secondary money market can unleash the kind of funds needed to meet the eighth plan target cited earlier.

Purely from the point of view of our operations, two ideas worth examining are to make the mortgage foreclosure less cumbersome and also to allow variable interest application. Locking in both lender and borrower to a fixed rate of interest for up to 15 years might not be in the best interests of either, given that the market stability which we were used to in the sixties, seventies and eighties is definitely a thing of the past. Why, only last year, bank credit rates were altered as many as five times! Perhaps the introduction of a long-term prime rate to act as a benchmark would be a step in the right direction.

■ On innovations beyond housing finance for individuals.

At SBI Home Finance, we are very much interested in land shelter and development project schemes like satellite townships. We have also encouraged companies to go in for bulk building of staff quarters, for which they are to recover costs through rents. We also give bulk loans to companies for onlending to employees.

■ On SBI Home Finance's own growth plans.

We have in hand a rapid expansion programme with branches in all main-line state capitals within a couple of years. We are also expanding our capital base shortly. Opportunities are enormous and I daresay we are well geared up to meet the challenges before us.

BRIEFS

■ The Reserve Bank of India (RBI), in a communication to commercial banks, has directed them to frame and implement a suitable investment policy for **operations in securities**. It has told banks to strictly adhere to the guidelines issued last July relating to transactions in securities.

The central bank has decided to seek technical assistance from the International Monetary Fund (IMF) to strengthen its procedures and systems as well as for computerisation. The securities scam has been attributed partly to failure on the part of RBI's public debt office to maintain proper records.

The RBI has also constituted a working group, headed by Bank of Baroda chairman A.C. Shah, to study the role of non-banking financial companies and suggest measures to ensure proper functioning of these companies. The committee is to submit its report by end-August.

■ The Union government is expected to conclude a fresh letter of intent in end-June with the IMF for the remaining few months of the **stand-by arrangement**. The stand-by arrangement expires on 31 March 1993. Conversion of the said arrangement into an extended fund facility (EFF) is now unlikely. If the Indian government does eventually decide to seek an EFF loan it will be a fresh facility starting from April 1993.

■ The Asian Development Bank (**ADB**) has assured India of $400 million in quick-disbursing aid. Earlier, there were indications that the aid would not exceed $250 million. The total assistance from ADB in the current year is likely to be $950 million.

■ The Industrial Reconstruction Bank of India (**IRBI**) has ended the financial year 1991-92 with a profit of Rs 25 crore on a total turnover of Rs 270 crore. In 1990-91 the bank had incurred a loss. According to IRBI chairman T. Panduranga Rao, IRBI's performance in 1992-93 will be even better with an estimated surplus of Rs 35-40 crore on a projected turnover of Rs 500 crore.

■ The RBI has relaxed the eligibility criteria for companies planning to float commercial papers (**CPs**). The working capital limit has been reduced to Rs 5 crore from Rs 10 crore. The average amount that can be raised through a CP issue has been raised from 30% of the company's working capital to 75%. The minimum credit rating required from the Credit Rating Information Services of India Ltd (Crisil) and the Investment Information & Credit Rating Agency of India (Icra) has also been changed.

■ The Securities & Exchange Board of India (**Sebi**) is considering tightening rules governing the private placement of promoter's quota of share capital. Sebi is planning to ask companies to provide detailed information of so-called friends and relatives of the promoters who have been offered shares on a preferential basis to ensure that a large part of the **promoter's stake** is not raised from common investors.

■ A Sebi-instituted enquiry into **unofficial trading** in shares of public sector undertakings (PSUs) by some of the mutual funds and banks has led to panic amongst the latter, which are now attempting to nullify the deals contracted earlier, says *The Economic Times*.

■ The RBI has effected a change in its draft paper issued in April directing banks to bifurcate their **security holdings** into two parts — 70% in permanent investments and 30% in current investments. In the draft paper, the RBI had said that 70% would be the 'floor' on permanent portfolio. However, the notification issued last fortnight put it as the ceiling. Banks will henceforth be required to provide depreciation for those securities held in current investment.

PANDURANGA RAO: *Good going*



■ The GIC Mutual Fund (**GIC MF**) has launched a stockmarket index-linked mutual fund called GIC Big Value. The fund has targeted payment of a minimum 15% dividend with facility to pay an additional 1% for every 100 points rise in the Bombay stock exchange national index.

■ Indian banks operating in the UK have been directed by the Bank of England to maintain higher **capital adequacy norms**, says *The Economic Times*. As per the report Indian banks are required to maintain a capital adequacy norm of 16% as against the internationally accepted 8%.

■ The **Bank of Maharashtra** is to soon float a mutual fund with a corpus of Rs 75 crore. The proposed mutual fund is scheduled to commence operations within three months.

■ The Calcutta-based Peerless, G.P. Goenka and Parasmal Lodha are buying up shares in India's leading private sector bank, **Vysya Bank**, says *Business Standard*. At least 4-5 lakh shares of the Rs 1.80 crore equity base of the bank have already changed hands, says the report.

■ **Lloyds Finance** plans to tie up with a leading international bank with a view to gain international expertise and access. The company is also planning to set up a country-wide network of Lloyds Exchanges.

■ Brisk Capital Market Services (**BCMS**), a leading investment banking and broking firm, has recorded impressive growth for the year ended 31 March 1992. Turnover stood at Rs 81.91 crore, a growth of 382% over the Rs 21.44 crore turnover recorded in the previous year. Net profit has risen four-fold to Rs 14.58 crore from Rs 33 lakh in the previous year.

■ The Industrial Credit & Investment Corp of India (**ICICI**) has shown a marked improvement in its financial results for the year ended 31 March 1992. Net profit rose 49.3% from Rs 134.8 crore in the previous year to Rs 201.27 crore. Approval of financial assistance in 1991-92 increased 15% to Rs 4,306 crore and disbursements rose 19.5% to Rs 2,351 crore. The capital adequacy ratio stood at 11%, much above the prescribed level of 8%.

WOOLWORTH INDIA

PROVING ITS WORTH

It's a fledgling that's proved its worth. Woolworth India Ltd (WIL), the maiden Indian venture of non-resident Indian (NRI) Ajai Lohia's Uniworth group, came into existence just 19 months ago (it started commercial production on 1 November 1990). But in that short span of time the worsted woollen yarn maker has done better than several veterans in the business by doling out a total dividend of 30% to investors. Besides, the WIL share has shot up to a mouthwatering Rs 180 (20 May) on the Bombay stock exchange. And the company is already spinning out expansion, forward and backward integration, and diversification strategies.



Basically an export-oriented unit, WIL kicked off production at its Rs 23 crore fully air-conditioned plant in Raipur (Madhya Pradesh) with a capacity of 5,560 spindles per annum. State-of-the-art equipment at the plant was supplied by Italy's Cascami Seta. In its first year of production (five months), the company manufactured 1.3 lakh kg of worsted yarn which was just lapped up by customers worldwide. In the year to March 1992, its first year full year of operation, it produced some 2.5 lakh kg of yarn which too was sold out.

With a response of that sort, WIL couldn't but help rolling ahead with its expansion plans. In early May, as part of its second phase of production, it got another 5,560 spindles humming at its Raipur unit. But even that's not enough for the go-getting Lohia.

Says the WIL managing director: "We will shortly treble our capacity by adding another 5,560 spindles taking the total to 16,680 spindles by October 1992. The country has been experiencing growing demand for worsted woollen yarn."

A question that crops up at this stage is why does Lohia have this affinity for small capacities? He explains: "This helps us to keep a close tab on quality. Also we can make timely deliveries unlike other Indian companies which can fail to do so. Finally, it helps customers develop confidence in us."

Interestingly, most of Lohia's clients are located in hard currency areas and his products have found ready customers in finicky markets such as Japan, Canada and of course some European countries. Besides, WIL's products have also received the stamp of approval from the UK-based International Wool Secretariat which has awarded it the coveted Woolmark symbol. Enthused, Lohia is now striving to get ISO-9000 recognition.

Apart from that, he's also integrating backwards. When WIL started out, its manufacturing activities commenced from merino wool top which it imported from Australia. Recently, the company took the process a little further back by adding machines which enable it to use scoured wool (semi-finished wool) as the raw material. Lohia's intention is to go back even further, for there is a process involved between raw wool and semi-finished wool. But as of now, he is keeping his lips zipped about this project as the final clearances are yet to come through.

Diversification gamble. What has, however, sailed smoothly is the company's diversification gamble. Under this, WIL has moved into the manufacture of silk tops and spun silk/noil yarn from silk waste, an activity which will be conducted through its silk division. The venture was implemented at two locations, with the degumming unit located in Malda (West Bengal) and the spinning section in Raipur, close to the worsted yarn plant. The Malda unit had a hiccup at the time of starting commercial production when locals, demanding jobs, blockaded the company's managers when they tried to enter the plant. The issue was resolved within a month when a decision to put some



THE RAIPUR PLANT AND (INSET) LOHIA: *Quick results*

of the natives on the company's muster was taken.

Thankfully, the Raipur silk top and spun silk/noil yarn unit has not had any such problems. Here production of silk tops from degummed silk waste commenced in April. The money for this unit as well as the backward integration and expansion was raised from a rights issue floated last February.

Initially, Lohia had toyed with the idea of setting up a separate unit for the spun silk project and in fact named it Silkworth India. He even took interest-free advances from NRI promoters totalling Rs 40 lakh which were to be adjusted against the issue of shares/debentures. Later, however, he backtracked and opted to set up the unit as a division of WIL.



INSIDE THE PLANT: *Worsted yarn in the final stage*

Today, he is all tied up with a forward integration plan in line with his vision of rapid growth. The Uniworth group is slated to set up a modern mill to produce a range of wool/silk blended fabrics at an estimated cost of Rs 80 crore. The project is also expected to be sited at Raipur under a new company Fabworth India Ltd. "We thought of forward integration because we can add value within India itself. Fabworth is likely to start around March next year. It will manufacture approximately 3 million metres of quality fabrics comparable to the best available in the world. The mill will have weaving, processing and finishing divisions," explains Lohia. The foundation stone for this unit was laid on 7 May.

But why a new company and will he approach investors again? Lohia explains: "We believe in decentralised management. Each individual company can be a better managed unit. Our stake remains in the world market and we have to keep pace with other countries. As for investors, we only go to them when a project is very near the completion stage." According to him, Fabworth will not use WIL's yarn as raw material. Reason: he wouldn't like it to lose out on supplies to its foreign customers. Besides, he points out that WIL does not manufacture all the yarn counts and hence Fabworth will have to resort to imports.

Other ventures. Lohia's other ventures are in Thailand, Indonesia and Nepal. In Thailand, an agrochemical outfit streams out furfural alcohol. The plant has been put up at a cost of $25 million. The unit has chalked up sales of $11 million. Lohia expects the unit to start making acetic and formic acids shortly. But his strongest base is in Indonesia. P.T. Indorama Synthetics, his flagship there, produces chips, fibre, partially oriented yarn (POY), polyester filament yarn (PFY) etc. The unit cost a packet — $80 million, to be precise — and production was flagged off in February this year. Besides, it also turns out short staple synthetic and cotton yarns with a capacity of 1 lakh spindles and sales from this operation exceed $60 million. A joint venture steel plant also adds to the group's turnover in the country. In Nepal, Lohia is a business baron of sorts. His textile unit is the largest in the private sector in the mountain kingdom. In the just-concluded financial year, it notched up sales of Rs 25 crore.

With his group's tentacles spread far and wide, Lohia is now gearing up to ensure that they all work for a common purpose. He is setting up a marketing arm in Italy to make a further push into Europe and global markets. Says Lohia: "We want to project this single marketing outfit globally as one that offers superior products whether they are from WIL, Fabworth or any other of my companies."

All this is fine but why is he not trying his hand in the Indian domestic markets? Says Lohia: "We came here with the sole intention of exporting products. Exports is our market and exports is what we know. Our main objective was to produce and establish ourselves. We have been able to do this." And the financials do bear him out. WIL recorded a turnover of Rs 35.78 crore (1991-92) as against Rs 8.47 crore in the previous five months in 1990-91. Net profit after depreciation and taxes worked out to Rs 11.17 crore resulting in an earning per share (EPS) of Rs 8.35 as against last year's figures of Rs 1.30 crore and Rs 2.33 respectively.

Lohia's ambition is to steer WIL towards a turnover of of Rs 150 crore by 1992-93 and Rs 500 crore by 1993-94. And with all his plans clicking and no gestation period, the targets could well be achieved. Says he: "We would have grown at a faster rate but because of overseas problems (the Gulf war) and the recent foreign exchange crunch we had to go slow. But now with liberalisation..."

Indeed here is an NRI who has proved that where there is a WIL, there is a way.

□ Ashoke Laha

HINDUSTAN COPPER

COPING WITH COMPETITION

In the past, it has been a prime example of public sector inefficiency. Hindustan Copper Ltd (HCL), despite enjoying a monopoly, had piled up accumulated losses of Rs 153 crore.

Today, however, the picture is different. In 1991-92, the company notched up an impressive pre-tax profit of Rs 51.40 crore against a memorandum of understanding (MoU) target of Rs 35 crore. The losses, which stood at Rs 21 crore on 31 March 1991, have now been totally wiped out. And it is with a positive slate that the company looks to the future.

HCL chairman & managing director Ved Leekha explains the miracle: "Our capacity utilisation at 98% in mining and 96% at plants was near perfect, giving us that required edge." This coupled with a post Gulf war hike in copper prices worldwide and 40% cheaper sourcing at the Malanjkhand mines in Madhya Pradesh effected the desired turnaround.

Yet Leekha's worries are just about beginning. In the wake of its liberalised economic and industrial policies, the government has decanalised copper (effective 1 March 1992), thereby allowing, in theory, private importers access to the metal on their own. Earlier the Minerals & Metals Trading Corp (MMTC) acted as the sole canalising agency and all imported copper had to be sourced through it. With the government pricing committee putting HCL's copper price on a par with that of MMTC, there was no question of a price war.

But now the individual user can go straight to the international marketplace, paying in dollars bought at the market rate. And, according to Leekha, 70% of users are private bodies most of whom are likely to take the new route once the modalities are fully understood. Granted that high import tariffs do still hedge the HCL priceline, but it may just be a matter of time before these tariffs are brought down, what with international pressure mounting.

Leekha assumes that in such a scenario an effective recourse would be to frequent price revisions. Metal prices the world over are linked to the London Metal Exchange, where the prices of non-ferrous metals such as copper are prone to rampant fluctuation. Till now HCL copper prices were fixed over a period of one full month, but in order to remain competitive against individual importers, HCL prices may be altered three or four times a month.

Another cause of heartburn for HCL is the Taloja copper project in

THE KHETRI COMPLEX: *Expansion drive*

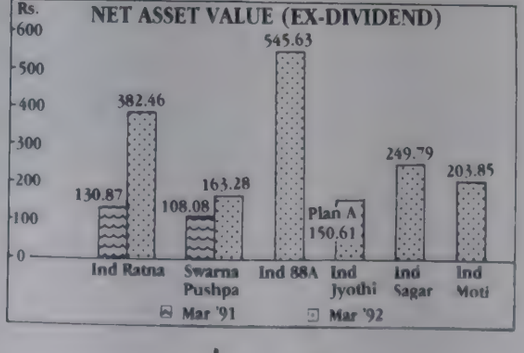


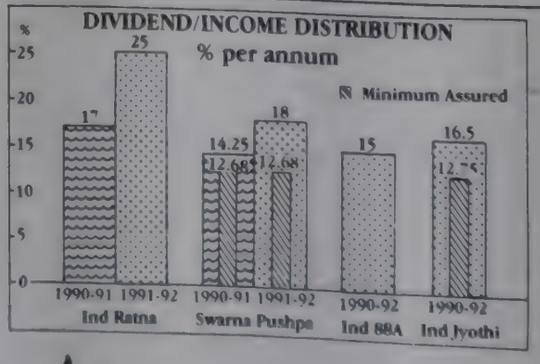
TOP OF THE CHART PERFORMANCE

INDIAN BANK MUTUAL FUND
BALANCE SHEET AS AT 31ST MARCH 1992

(Rs in lakhs)

	IND RATNA		SWARNA PUSHPA		IND 88A	IND JYOTHI	IND SAGAR	IND MOTI
	Last Year 31.03.91	Current Year 31.03.92	Last Year 31.03.91	Current Year 31.03.92	31.03.92	31.03.92	31.03.92	31.03.92
LIABILITIES								
1. Unit Capital	3044.84	3044.84	5984.93	5716.75	2812.10	15647.38	2087.51	8266.86
2. Reserves & Surplus								
2.1 Unit Premium Reserve	–	–	–	–	–	–	–	–
2.2 Other Reserves & Surplus	162.59	867.43	235.23	381.25	463.97	135.16	152.65	329.19
3. Loans & Borrowings								
3.1 From Banks	–	–	–	–	–	–	–	–
3.2 From Others	–	–	–	–	–	–	–	–
4. Current Liabilities & Provisions								
4.1 Provision for loss/depreciation in value of investments	–	–	–	–	–	–	–	–
4.2. Provision for Doubtful Income/Deposits	–	–	–	–	–	–	–	–
4.3 Proposed Income Distribution	569.39	761.21	919.72	885.60	636.38	1304.90	–	–
4.4 Other Current Liabilities & Provisions	63.48	140.92	401.24	189.75	36.12	388.97	257.70	226.56
TOTAL	3840.30	4814.40	7541.12	7173.35	3948.57	17476.41	2497.86	8822.61
ASSETS								
1. Investments								
1.1 Equity & Preference Shares	2370.75	3450.86	2296.27	2060.20	3544.94	4668.81	2040.75	7173.45
1.2 Privately Placed Debentures/Bonds	–	–	127.75	127.75	–	551.38	–	–
1.3 Debentures & Bonds Listed/Awaiting Listing on Recognised Stock Exchange	527.83	556.66	3618.86	4289.64	–	10482.50	113.03	712.74
1.4 Term Loans	–	–	–	–	–	–	–	–
1.5 Government Securities	–	–	–	–	–	–	–	–
1.6 Others	2.16	290.65	1.71	43.47	105.71	462.92	73.22	84.08
2. Deposits								
2.1 With Scheduled Banks	–	–	–	–	–	–	–	–
2.2 With others	–	–	–	–	–	–	–	–
3. Other Current Assets								
3.1 Cash & Bank Balance	7.28	147.23	44.21	16.60	82.12	–	–	194.54
3.2 Others	887.65	369.00	1270.32	635.69	215.80	1310.80	166.47	278.38
4. Fixed Assets (At Depreciated Value)	–	–	–	–	–	–	–	–
5. Deferred Revenue Expenditure (to the extent not written off)	44.63	–	182.00	–	–	–	104.39	379.42
TOTAL	3840.30	4814.40	7541.12	7173.35	3948.57	17476.41	2497.86	8822.61





Once again, Indian Bank Mutual Fund's annual results are a hit parade of numbers. Numbers that are sweet music to many an investor's ears. Like the all-time high dividend of 25% p.a. on Ind Ratna for the second year. And 18% p.a. on Swarna Pushpa – the highest second year dividend on any Income Scheme. And 15% p.a. on Ind 88A – the highest dividend on any Tax Savings Scheme. And 16.50% p.a. on Ind Jyothi, the highest 1st year dividend on any Income Scheme. Or the annualised growth in N.A.V. of its two recent schemes: 257% on Ind Sagar and 178% on Ind Moti in just 7 months of operation.

INDIAN BANK MUTUAL FUND

REVENUE ACCOUNT FOR THE PERIOD/YEAR ENDED 31ST MARCH 1992

(Rs. in lakhs)

		IND RATNA		SWARNA PUSHPA		IND 88A	IND JYOTHI	IND SAGAR	IND MOTI
		Last Year 23.02.90 to 31.03.91 (13.2 Months)	Current Year 01.04.91 to 31.03.92 (12 Months)	Last Year 23.02.90 to 31.03.91 (13.2 Months)	Current Year 01.04.91 to 31.03.92 (12 Months)	28.09.90 to 31.03.92 (18.1 Months)	01.12.90 to 31.03.92 (16 Months)	01.09.91 to 31.03.92 (7 Months)	01.09.91 to 31.03.92 (7 Months)
	INCOME								
1.1	Dividend	64.53	64.11	81.19	40.46	3.72	92.45	17.87	27.92
1.2	Interest	44.21	179.63	693.37	698.44	113.27	1683.87	19.29	93.34
1.3	Profit on sale/redemption of investments (other than inter-scheme transfer/sale)	695.05	1305.60	843.68	667.99	961.49	2081.98	158.85	267.85
1.4	Profit on inter-scheme transfer/sale of investments	–	–	–	–	–	–	–	–
1.5	Other Income (includes commission and service charges on debentures, discount on stamps, bills and profit on rights sale)	2.91	5.48	38.07	18.08	114.30	166.87	11.86	10.12
	TOTAL	806.70	1554.82	1656.31	1424.97	1192.78	4025.17	207.87	399.23
	EXPENSES & LOSSES								
2.1	Management, Trusteeship, Administrative & other operating expenses	74.72	88.77	107.86	248.96	92.43	707.09	55.22	70.04
2.2	Provision for Depreciation/Losses in value of investments	–	–	–	–	–	–	–	–
2.3	Provision for Doubtful Income	–	–	–	–	–	–	–	–
2.4	Provision for Doubtful Deposits/Current Assets	–	–	–	–	–	–	–	–
2.5	Loss on sale/redemption of investments (other than inter-scheme transfer/sale)	–	–	0.38	0.19	–	0.03	–	–
2.6	Loss on inter-scheme transfer/sale of investments	–	–	–	–	–	–	–	–
2.7	Income distribution/dividend	569.39	761.21	1312.84	1029.80	636.38	3182.89	–	–
2.8	Transfer to Reserves/Surplus	162.59	704.84	235.23	146.02	463.97	135.16	152.65	329.19
	TOTAL	806.70	1554.82	1656.31	1424.97	1192.78	4025.17	207.87	399.23

NOTE:

1) Investments in quoted equity shares are valued at aggregate cost or aggregate market value whichever is lower on global basis. Equity shares not quoted on the national stock exchanges are valued at cost.
2) All other investments are valued at cost.
3) Dividend, front end fees, service charges and interest on advance subscriptions are accounted for on cash basis.
4) Front end fees received on investment in equities and convertible debentures is accounted as income. Front end fees received on non-convertible debentures is reduced from the cost of the investment.
5) An investment is regarded as non-performing, if it has provided no returns in the form of dividend or interest for more than 2 years as at the end of the accounting year.
6) Deferred revenue expenditure which includes all initial expenses incurred relating to public issue of units including Brokerage, Commission and Incentive, is written off equally over the scheme period. However, the amount of write off in any particular year may be increased depending upon the earnings of the scheme as decided by the Trustees
7) Market value of Equity Shares:-

Rupees in lakhs

IND RATNA		SWARNA PUSHPA		IND 88 A	IND JYOTHI	IND SAGAR	IND MOTI
31.03.91	31.03.92	31.03.91	31.03.92	31.03.92	31.03.92	31.03.92	31.03.92
3148.13	11183.97	2375.11	5127.10	15612.56	11565.88	5015.04	15429.79

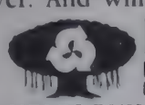
8) Management and other operating expenses (Item 2.1) include:
Deferred Revenue Expenditure Written off

Rupees in lakhs

IND RATNA		SWARNA PUSHPA		IND 88 A	IND JYOTHI	IND SAGAR	IND MOTI
31.03.91	31.03.92	31.03.91	31.03.92	31.03.92	31.03.92	31.03.92	31.03.92
11.16	44.63	45.50	182.00	63.91	584.07	6.76	44.27

9) The first accounting year of Ind 88 A and Ind Jyothi schemes ended on 31.03.1992 and of Ind Sagar and Ind Moti Schemes end on 31.03.1993. Hence, no previous year's figures are given

They're just a few of the records recorded on the charts alongside. But before you turn to them, look closer at what promises to be another long playing hit. **Ind Prakash.** An annual income and growth scheme that gives rising returns. With every likelihood of capital appreciation too. It's got an absolutely unique insurance cover. And will be listed on the major stock exchanges one year after allotment. So, act now before the scheme closes on 31st May – because there's assured allotment for all of you.



Indian Bank
MUTUAL FUND
Principal Trustee: Indian Bank
HELPS BUILD YOUR FORTUNE
Corporate Office: 1st Floor, 100/104, Nanak Motwani Marg, D G. Chambers, Fort, Bombay 400 023

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Maharashtra set up some years ago at a cost of Rs 22 crore. The project was undertaken on the strictest assurance by the government that free foreign exchange would be readily available for the purchase of imported cathodes, a vital raw material for the production of continuous cast wire rods. Post March 1991 this facility was withdrawn and cathodes which were thereafter bought via exim scrips will now have to be purchased at the market rate of the dollar.

No consolation. Naturally input costs have spiralled. Clarifies Leekha: "According to 1990 (when production started) estimates we were sure of making a profit of Rs 24 crore per annum but now that seems uncertain." Against an installed capacity of 60,000 tonnes of wire rods per annum, Taloja produced only 14,598 tonnes last year. The MoU target, however, was only 11,000 tonnes. But that is no consolation, for Leekha feels that the plant must run at higher productivity levels so that HCL's marketshare is not lost.

A way out of this impasse (last year imported cathodes were blended with cathodes from the Khetri plant) would naturally be an overseas tieup and HCL has two alternatives. The first is a joint venture wherein the collaborators offer a supply of cathodes with an agreement to buy back an amount of finished product. The other is to set up a scrap-based refinery (approximate cost Rs 100 crore) at Taloja where cathodes would be produced from imported scrap. Talks are on with Otto Kumpen of Finland and Codelco Chile of Chile, though nothing has yet been finalised.

As if all this were not disconcerting enough, HCL has been promised no aid during the eighth plan. "This has jeopardised our expansion plans to a great extent," rues Leekha. He adds: "For many years now no investment has been made in mining and the ore reserves at the Ghatsila and Khetri mines have depleted."

But HCL has a gameplan nevertheless. For starters, Bishimetal Exploration Co of Japan has been appointed to prepare a feasibility study for the optimum exploitation of ore reserves at Malanjkhand. The study, which entailed expenses of Rs 17.5 crore, has proposed up to five million tonnes per annum (tpa) of ore exploitation from underground mines below 412 metres level after exhausting open cast reserves; process and site selection for a 60,000 tpa copper smelter have also been completed. The total cost is estimated at around Rs 2,000 crore and the final report is expected shortly.

Secondly, based on reports submitted by Robertson Research, Australia, a project proposal for setting up a 2,500 tonnes per day (tpd) copper underground mine with a matching concentrator at Chapri Sideshwar in Bihar has been submitted to the government. The estimated total cost is Rs 260 crore but only Rs 89 crore will be required in the eighth plan period.

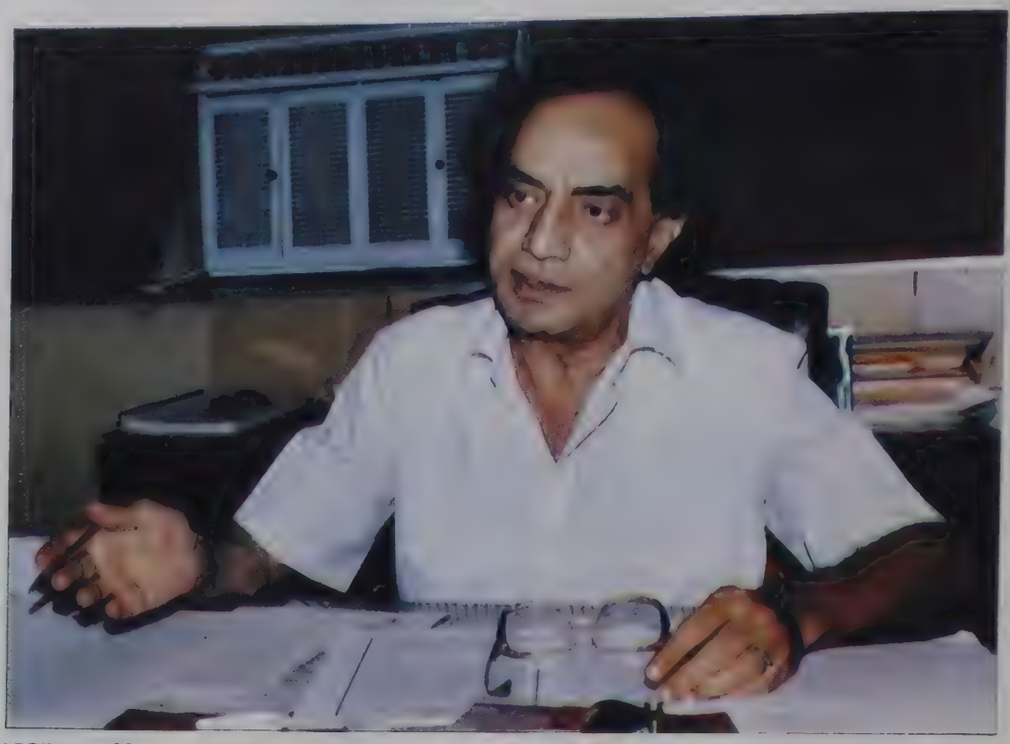
Besides, the Khetri smelter is to be expanded from 31,000 tpa to 45,000 tpa at a cost of Rs 49.46 crore. And another Rs 200 crore will be needed for the 2,000 tpd Banwas Mine development at Khetri and the Malanjkhand open cast mine capacity expansion from 2 million to 3 million tpa.

Additionally, normal replacement and renewal of machinery is expected to cost around Rs 250 crore and anti-pollution schemes, which are being implemented on a war footing, another Rs 130 crore.

While the project at Malanjkhand needs governmental support ("The government has to agree in principle and then move in as it is too big for us to handle on our own "), the rest have to be entirely funded by HCL. Internal accruals are expected to contribute Rs 300 crore, while the other Rs 600 crore will be raised from the market. HCL has appointed Bank of America as consultants to investigate its prospects when it goes hat in hand to the public.

If the current results are anything to go by, many will bite. But the track record is another story. With competition coming in courtesy decanalised copper imports, will HCL be able to prove that it has really changed its spots?

□ D.N. Mukerjea



LEEKHA: *New worries*



A HCL SMELTER: *Increasing input costs*

TESTING TIMES

Testing times are here for Dhirendra Nath Rai. Aryan Finefab's 60-year-old chairman-cum-managing director has decided to move from a reasonably comfortable position in the weaving business to the fiercely competitive garments exports market.

If all goes as per his plans, Rai will be looking at big money two years from now. But the garments exports business isn't what it used to be. Gone are the days when anybody who put together a bunch of shirts 'n' skirts was assured of decent forex revenues; it's a dog-eat-dog market now, with profits hard to come by.

But Rai is ready to take the risks. And he believes his timing is just right. "We are doing this now because of the measures taken by the government — exports have been given a major boost."



ARVIND RAI: *Right timing*

Here's how he proposes to make the transition from small-timer (group turnover: Rs 3 crore) to big daddy:

- To begin with, as a backward integration measure, Rai intends to put up a Rs 10-crore processing house near Ahmedabad, close to the Aryan Finefab plant. With an annual capacity of 40,000 metres, the plant will have bleaching, dyeing and printing facilities. The land has already been bought and construction is scheduled to commence in December. Commercial production is slated to begin in June 1993.
- The second stage is all about forward integration. This involves the setting up of a separate unit to manufacture made-ups, consisting of bedsheets, pillow covers and readymade garments. This unit, to be run by a separate corporate entity will initially produce garments and high quality shirts for export; other value-added items will be later.

Rai is keen to set up this venture in equity partnership with some foreign companies. He is negotiating with two European outfits and a Japanese company that has a chain of departmental stores in Europe and south-east Asian countries. Ajay Sabarwal, a leading garments exporter, will also be a partner in this project.

The unit, to be located in Bombay, will need an outlay of Rs 9 crore. The initial capacity will be 1,200 shirts and 500 other garments per day, which should translate into a turnover of Rs 30 crore in the first year.

- The third step involves the setting up of a joint venture unit in the US; the foreign partner in this company will be offered exclusive franchise for the marketing and sale of Aryan products in that country.

Rai, obviously, cannot finance his ambitions on his own. To raise funds for the processing unit, Aryan Finefab will come out with an issue of rights shares — at a premium of not less than Rs 60 per share — for its 5,000-odd shareholders next March. In return for this investment, the company's dependence on outside processing houses will be eliminated, leading to substantial savings. The garments company is likely to go public by the end of calendar 1992.

When the projects go on stream, the Aryan group will clearly be in a strong position to manufacture garments for export. But manufacturing facilities, on their own, offer no guarantee of success. With the American and European economies going through a recessionary phase, the garments market is far from stable. Indian exporters are no longer sanguine about their sales targets; some have lost big money.

Aryan director Arvind Rai, however, believes the company's future is safe. Reason: "The textile exporters who have been affected by the recession are those who cater to the lower end of the market. Our shirts are meant exclusively for the neo-rich. And there has been a consistent rise in sales in this segment."

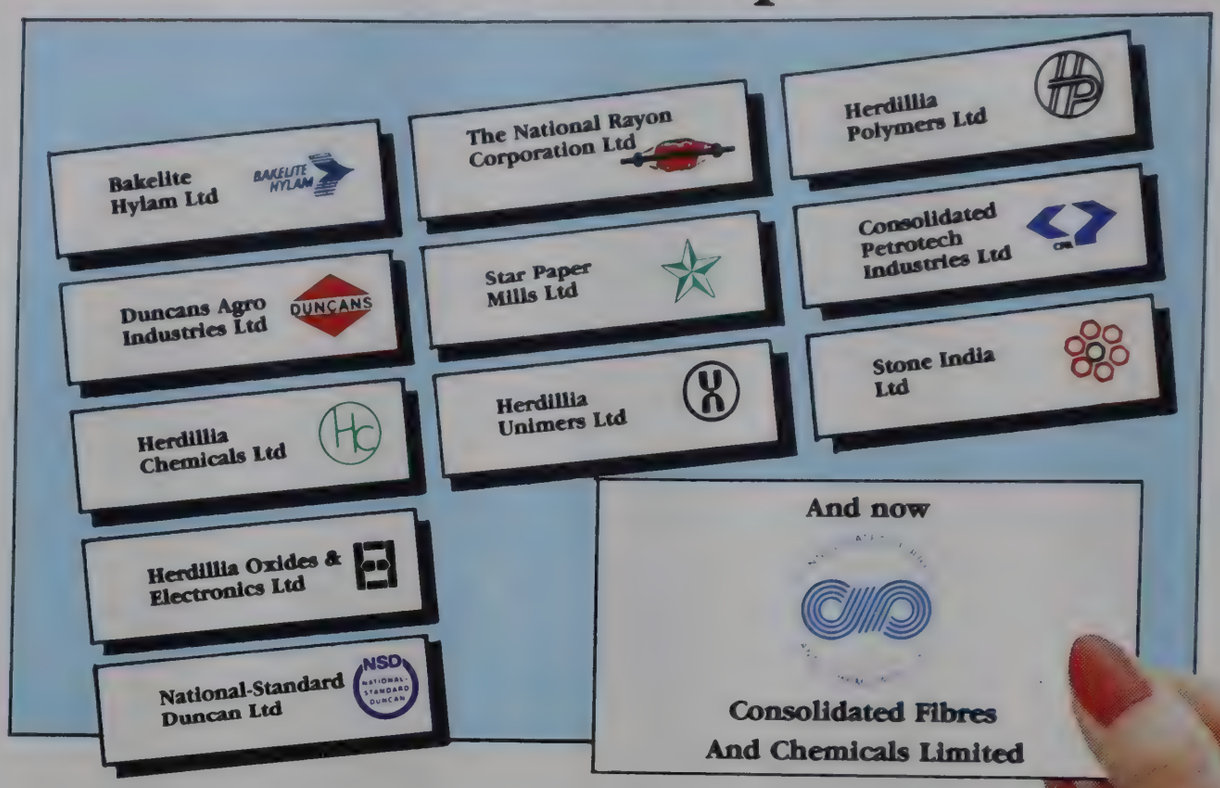
Has he donned the right robes?

Aryan Finefab has donned the right robes to make it to the big league

□ Jiten Mehta

DUNCANS

The Duncans Group Presents Its Blue Chips



Consolidated Fibres And Chemicals Limited

India's first Acrylic Fibre Project with superior Japanese technology and equity participation by Commonwealth Development Corporation, U.K.

The Duncans Group, chaired by Shri G.P. Goenka, is one of the largest business houses in the country. The group interests cover a diverse range of products from electronics to tyre machinery, petrochemicals to tea, speciality chemicals to synthetic rubber, thermosetting plastics to paper, synthetic fibres to health care, consumer products to carbon black and nylon tyre cord.

With this solid foundation, the Duncans Group now presents their latest venture – Consolidated Fibres And Chemicals Limited (CFCL) promoted by Bakelite Hylam Ltd. in association with the West Bengal Industrial Development Corporation Ltd. The Company also has substantial equity participation from Commonwealth Development Corporation, U.K, SBI Mutual Fund, Canbank Mutual Fund and PNB Mutual Fund.

CFCL is setting up a Rs.140 crore project to manufacture 12,000 tonnes per annum of Acrylic Fibre. The capacity is likely to be increased to 20,000 tpa in the future. The project will use the well established EXLAN technology being provided by a consortium of Japanese companies – Marubeni Corporation, Kawasaki Heavy Industries Ltd and Japan Exlan Co. Ltd.

The project is in an advanced stage of implementation and commercial production is expected by July, 1992.

Backed by the strength of its promoters and technology, CFCL is set to become yet another success story from the Duncans Group.

Consolidated Fibres And Chemicals Limited
Regd. Office : Duncan House, 31 Netaji Subhas Road, Calcutta 700 001
Head Office : 41 Shakespeare Sarani, Calcutta 700 017

A consolidated advantage

PRESSMAN

MECHANO PAPER MACHINES

A QUANTUM JUMP

Shishir K. Sadhu expects his company's revenues to shoot up from Rs 20 crore to Rs 46 crore this year. And the ardent devotee of Satya Sai Baba doesn't need a miracle to make that happen.

The way he puts it, the matter is all neatly cut and dried. Mechano Paper Machines, his Calcutta-based company, has bagged a Rs 40 crore project order to provide paper manufacturing machinery for the Satpura Tapi Sakhar Sahakari Karkhana in Maharashtra. This mill is scheduled to go on stream by September, with a capacity of 60 tonnes per day (tpd) of printing and other value-added writing paper.

The size of the order isn't the only aspect of the project that excites Sadhu. The plant, he says, will represent a pioneering effort of sorts because of its raw materials — 85% bagasse and 15% rags and cotton linters (shreds).

For good measure, Mechano last fortnight bagged a Rs 16 crore order from Straw Products for a 62 tpd machine in Orissa.

If Mechano does match his revenue projections (and he's supremely confident that it cannot miss), it will mark the second occasion that Sadhu has taken a quantum leap. The first came in 1989, when Mechano's turnover jumped from Rs 6 crore to Rs 13 crore, a 115% rise. That watershed year, the company completed the rebuilding projects of such paper biggies as Bhadrachalam Paper Boards, Straw Products and Century Pulp & Paper.

A technical deal. And 1989 is also the year that the company struck a technical collaboration agreement with Tampella Carcano of Italy, one of the best known names in the international paper manufacturing machinery business. Looking back, Sadhu says it was "our most important year ever." A couple of years down the line, he may well use the superlative for 1992-93's performance.

Mechano may not be one of the more glamorous names in the corporate world, but it is an industry leader nonetheless. The company stands head and shoulders above its competitors — the likes of Coimbatore-based Servall Engineering, Jessop & Co and the paper machinery division of Larsen & Toubro. A clear measure of its lead can be had from the fact that, of the seven medium-sized paper projects (capacities ranging from 30 to 100 tpd) in the past four years, Mechano bagged contracts for six.

Mechano stands head and shoulders above its competitors



SADHU: *Miles ahead of the competition*

During that period, it also supplied machines for most of the large units' rebuilding projects. Given that there have been no new big (100 tpd and above) projects in recent times, it is clear that Sadhu's competitors had to make do with small jobs. Further indication of his supremacy is the fact that finance minister Manmohan Singh sought his advice on matters pertaining to the industry shortly before the Union budget.

At 52, Sadhu can sit back and thumb a nose at all those who advised him against indulging his entrepreneural urges when, in 1969, he quit a safe job with Tata Johnson to set out on his own. A year later, he teamed up with B.K. Kariwal to set up Mechano Industrial Suppliers, a supplier in parts for paper manufacturing machines. In 1972, the company made its first foray into manufacturing, starting with accessories like pumps, pulpers and agitators. That year's revenues cleared the Rs 2 lakh mark — nothing to rave about, but a decent start all the same.

Mechano's growth continued, but at a canter rather than a gallop. The Rs 1-crore landmark was crossed in 1979, after when the company began to pick up pace. The real charge, of course, would come 10 years later.

Now a successful manufacturer, Sadhu misses his supplier days sometimes; particularly when he looks at the bottomline of his balance-sheet. Mechano turned in net profits of Rs 1 crore last year, but as Sadhu points out: "When we were supplying spare parts, the margins were well over 100%. Now, despite the fact that we are manufacturing not only parts, but entire plants as well, we manage margins of around 10-15%."

A logical step. After moving from supplying parts to manufacturing machines, it would only be logical for Sadhu to set up a paper mill of his own. And that is precisely what he has in mind; he's currently in the process of deciding where to locate the unit. He's also trying to increase his export earnings from Rs 65.51 lakh (in 1990-91, mainly from Kenya, Singapore, Nigeria and Bangladesh) to Rs 20 crore by 1998.

And finally, he's hoping to set up a unit to develop and market financial computer software. This obviously means a completely unrelated diversification, but Sadhu's not worrying about synergies on this one. Software can be a highly lucrative business — and that's good enough for him.

□ D.N. Mukerjea

GE Shipping goes full steam ahead on diversification plans.

SMOOTH SAILING

It has just lost its helmsman; Great Eastern (GE) Shipping chairman Vasant Sheth recently passed away. It is also sandwiched between Big Brother Shipping Corp of India, some six times its size, and arriviste Little Brother Essar Shipping, which has been going places with a little help from well-connected friends. And, says GE managing director K.M. Sheth, the feeling of being caught in the middle is none too comfortable.

Nevertheless, GE Shipping is coping, and pretty well too. Annual results for 1991-92, expected a little way down the line, could show a virtual doubling of profits from the previous year's Rs 37 crore, and could provide excellent news for shareholders who received bonus shares at a one-for-five ratio in 1991. Further, another rights equity issue is on the cards perhaps late this year, which the market expects will be in the ratio of 1:4, probably at a premium of around Rs 50 per share. Currently, even in a downward market. the GE Rs 10 face value equity share has takers at Rs 120-125.

There is little doubt that GE's financials look pretty good. Its debt to equi-



GREAT EASTERN SHIPPING

ty ratio is less than 1, the lowest among Indian shipping companies — against Essar's 2:1 and South India Shipping's 2:0 in the comparable periods. The proposed rights issue is actually meant to shore up net worth by nearly Rs 120 crore, and allow the company to go in for a World Bank borrowing of about $60 million (Rs 180 crore). In the near future, therefore, the company obviously intends to embark on a ship acquisition spree. With about Rs 300 crore in its kitty, the company can acquire at least 10-15 medium-sized vessels, which may mean an increase of its current tonnage (assuming there is no substantial reduction through sale of ships) by 30% or so.



VASANT (NOW DECEASED) & K.M. SHETH
Coping well

In the meantime, the company's diversification efforts are slowly but steadily gathering steam. The real estate division, in which Rs 30 crore or so has been sunk so far, will soon start showing a stream of income, and promises the high returns usual in the business. And, having already made a modest entry into financial services through its wholly-owned subsidiary Prime Securities, the company plans to spin it off into an independent company which should start spreading its wings. Other business opportunities are also being explored, and the company expects to see a number of industrial ventures promoted by it in the next few years.

The mainstay, and overwhelmingly dominant activity of GE, however, is likely to remain shipping. Today, the company's chief source of strength is that through the years of depression, it had the courage to invest. Between 1982 and 1984, there were actually two successive years of losses, which meant an erosion of net worth from Rs 63 crore to Rs 59 crore. There was an even deeper recession in 1985-86, but in the following year, the imbalance between demand and supply of tonnage underwent dramatic reduction internationally with large scale scrapping of ships and very few new building orders. The tramp time charter index moved up to an average of 194 during the year, from a low 105 during the 1982-85 period.

GE received the maximum benefit of this upturn. Immediately previous to this period the company had acquired five ships, and by mid-1988 it had a fleet with a market value almost Rs 100 crore excess of written-down value. The acquisition drive continued till 1989 (though some ships were sold), and during the 1986-89 period, the company bought some 10 ships at a total cost of Rs 65 crore. The payback has been within two-three years — current costs of these ships are four times as much.

The timing of this investment was crucial. Company insiders speak with one voice about the difficulty of swimming against the tide during recessionary periods. "Resources are inevitably overstretched then," they say, "and there is a strong temptation to shrink the fleet and perhaps take in capital profits. But, very consciously, it is necessary to bite the bullet, and not sell, not shrink. It is only then that one can take advantage of the upswing, when it comes."

The managers at GE have reason to be pleased with themselves for their dedicated approach which combines an effort to make acquisitions or sale of vessels at the correct time with an emphasis on making ships have the minimum period in off-hire. And the results are there for all to see — GE survived the shakeout in which even well-established names like Scindia or India Steamship got into deep trouble.

Even currently, the company is acquiring ships with considerable finesse. In the past year, there have been no acquisitions because of India's forex difficulties and lines were frozen. But, fortunately, this was at a time when prices were at a recent peak. Today, ship prices are again coming down, and the tankers now being purchased would have cost $4-5 million (about 15-20%) more last year.

GE has, of course, always been in tramp catering, unlike both Scindia and India Steamship, which have been in the liner trade. Tramping actually makes a company more vulnerable to market swings, while liner operations may miss out on the peaks but do not hit the rock bottom of the trough either. The reason why the other two long-established corporations are today in difficulties is really managerial failure leading to a wrong mix of ships in their fleet, inability to contain costs, and (in the case of India Steamship) overdependence on Russian trade.

An industry insider awards GE quite a few bouquets. "Great Eastern has had an ideal mix of vessels at any point of time," he says. "There is the right proportion of old and medium-age vessels — not many new ones, though, which are a drag financially, since these involve high investment costs. And they have always sold ships at the right time, and availed of capital profits — some Rs 30 crore, between 1986 and 1992."

In this matter of trading in vessels, GE's overseas subsidiary in London has been of considerable help. The company set up this capital base offshore a good many years ago, which initially can raise resources on its own, buy ships abroad with a back-to-back arrangement with the Indian parent, and then transfer the vessel at an opportune time. In fact, out of GE's current fleet of 43 ships, four ships are London-owned. Past foresight has paid off in the course of the years.



RAVI SHETH: *Synergy strategy*

An important requirement for GE in its financial management has been a hedge against the exchange risk, especially given the borrowings exposure. The recent sharp declines of the Indian rupee underlines the need for such prudence. And with more acquisitions under way — which means more overseas borrowings from the World Bank and other sources — vulnerability will always remain, especially given that only 60% of the company's net foreign exchange earnings can be brought in at the market rate, with the balance being converted at fixed rates determined by the Reserve Bank.

The $60 million (Rs 180 crore) World Bank loan which the company intends to avail of later this year will allow it to renew a somewhat aging fleet and, as it has been remarked, the company is well able to raise fresh borrowings given its low debt-equity ratio at present. But this will also mean a huge chunk of extra debt to service at a time when freight markets have turned soft. The macro indicators are not promising — there has been a 1% growth in world trade last year, with a 4% net addition to world fleet. There is a recession in the west and in Japan, and Russia is still in turmoil.

It seems, therefore, that GE is following its traditional policy — it is buying ships at a time when capital costs are likely to be lower and, while the revenue stream will take time to build up, it is looking at the long term, beyond 1993, when prospects seem good. The world fleet is aging, new ships are unaffordable, and decent vintage second-hand acquisitions are the only way out. Fewer ships will be around, and freight rates will therefore improve. Again, if new shipbuilding is to be justified, freight rates must go up further.

Another important reason why GE could be timing its buying of ships just

"TOTAL DEDICATION

K.M. Sheth (61) has spent his entire working life with the family firm, and is today one of the most respected figures in Indian shipping. Together with his elder cousin, the recently deceased Vasant Sheth, he has been overseeing operations at Great Eastern (GE) Shipping. While Vasant was in charge of the offshore vessels and the real estate diversification, KM has been looking after the remaining mainline shipping operations.

Today, he is ably assisted by his sons and nephews — Sudhir Mulji, who was briefly State Trading Corp chairman during Rajiv Gandhi's time, and who looks after the London subsidiary; Vijay Sheth, who is responsible for Great Attwood, the joint venture firm which owns oil-drilling rigs on Bombay High; Ghanshyam Sheth who takes charge of real estate; Ravi Sheth who is attempting to shape further diversifications, including the thrust into financial services; and Bharat Sheth who concentrates on mainline shipping. Nevertheless, it is KM who takes the final responsibility, and it is his and Vasant's entrepreneurial thrust and years of business experience that have made for the success of GE.

K.M. Sheth spoke to BusinessWorld *at great length on his company against the backdrop of the Indian and international shipping industry. Excerpts from the interview:*

■ **On Vasant's unfortunate demise.**

It is a great loss to the company and the entire shipping industry. He was the guiding light and the motive force behind the company.

■ **On his perceptions about the Indian shipping industry.**

Shipping is a truly international industry and, consequently, Indian companies are entirely open to global business trends. But the trouble is that India does not follow the international rules of the game. The most successful shipowners today are the Greeks, who trade in vessels like buying or selling vegetables. The secret of success is to buy cheap and sell dear, have a really competitively priced fleet and build up capital profits to survive recessionary times when freight rates are down. Here, Indian shipowners are at a disadvantage, and invariably lose out.

Whenever an Indian owner acquires a ship, he pays somewhat more; and when he sells, he gets a little less. The reason: greatly cumbersome procedures at the government level. Each deal is subject to government approval, involving a price reasonableness certificate, technical certificates, finance ministry approvals and so on, which can take a couple of months. In the international market, no seller is willing to wait — he would rather sell the vessel 5% cheaper than wait two months during which time he would remain committed while the Indian buyer can opt out if the government permission is not available. Inevitably, therefore, we pay a higher price.

It has been estimated that at least 10% can be added to the acquisition cost of the Indian flag because of the premium paid by Indian buyers for the privilege of "subject to import licence" on a purchase contract. Current estimates value the Indian fleet at about $2,700 million. At least $270 million could have been saved.

Internationally, swift decision-making is the key to business. And in India, we are paying the price for our tardiness. Indian tonnage today is perhaps a mere 1.5% of world fleet. After independence, tonnage has grown in absolute terms, especially in the 1975-85 period. But now it is again going down — in fact, today it is less than the total at the beginning of the sixth plan. Between 1986 and 1988, a golden opportunity was lost for Indian shipping to grow. Ships were going at one-third of the present costs.

Indian shipping's participation in domestic trade is small — a mere 30% compared to 70% in Japan — and is actually coming down. Yet, shipping is the largest net forex earner for the country and, in order to earn as well as conserve foreign

IS NECESSARY"

exchange over the longer term, we need massive investments in fleet.

It is this capital intensity which frightens our policy makers, especially in a situation where we are trying desperately to reduce our current account deficits. In its first year, no vessel can be forex-positive. But by the third year, the revenue stream compensates the initial outflow. Charter of foreign ships is a short-term approach — the freight paid is lost. Asset building is essential. And I do believe that this realisation is now being fully grasped. The net asset value of the Indian fleet today, less foreign exchange borrowings, stands at Rs 7,000 crore in terms of market prices. This is a very large sum of money, and makes up for very significant invisible reserves.



■ On the recent policy changes, and the trends in government thinking.

As I have said, I believe that it is being realised that shipping needs to be given a freer hand, especially in acquisition or disposal of tonnage. Delays have been reduced, though not completely eliminated. Again, the policy of favouring the public sector at the expense of other shipping companies — specifically in the area of transportation of crude oil cargo — is being relooked at, simply because the volume is too large even for a giant like Shipping Corp to handle. We have always stressed that the distinction between the "public" and "private" sectors is artificial — there is only one sector, the national sector.

Current account convertibility of the Indian rupee presents a mixed scenario. Together with airlines, shipping companies had a major worry because all expenses are in foreign currency. It was later clarified that we shall be allowed to net off expenses against revenue earnings and remit the rest back to India at the 60:40 formula. But then commitments on capital costs will still have to be met at market rates, which is a somewhat inequitable situation. Looking at macro economics, it is difficult to expect any further concessions just now.

An area for immediate action, however, is the law relating to mortgage under the Merchant Shipping Act, which provides that foreclosure can only follow upon a decree from an Indian high court, and consent from the Indian government. This is unacceptable to foreign lenders, who want a clean mortgage, in line with general commercial practice all over the world. The Merchant Shipping Act is likely to be amended, perhaps in the next parliament session.

■ On where GE stands today, given the somewhat mixed background.

GE has weathered the depression of the mid-eighties and has, at least in the past few years, remained consistently profitable. There are a number of factors which contribute to this. The first, I believe, is good teamwork and because we, the promoters, take an active part in running the show. It is a round-the-clock operation, and total dedication is needed. With a presence abroad through our London subsidiary, we are close to the nerve centre of world shipping and, therefore, we read the market better, feel its pulse and have developed a gut feeling. The industry functions within a classic demand-supply situation, and there are a million imponderables, both political and economic. Knowing the right time to buy or sell a ship is essential — if timing is not right, a fortune can be lost, and a single wrong decision can break a company.

We have consciously diversified our fleet — we have product carriers, bulk carriers, offshore supply vessels and crude oil tankers. This helps us to guard against recessionary trends in any particular area. Further, over the past seven or eight years, we have moved into areas other than shipping. Great Attwood, our joint venture for oil drilling, is one such example — we were the first private sector company to enter this area, just as we were the first to have an oil tanker, an offshore supply vessel (OSV), or an oil-bulk ore (OBO) carrier.

Currently, our real estate division, in which Rs 30 crore or so has been invested, holds great promise; as does our financial services company Prime Securities, which should soon spread its wings. We may undertake new projects in the course of the next 12 months.

As far as our shipping operations are concerned, despite a softening of the market, financial results for 1991-92 should be good. A major expansion of financial resources through World Bank borrowings and a rights equity issue is on the cards. A problem remains, however, in terms of manpower for our shipping operations. Partly because of the tax structure in India, Indian companies cannot match salaries paid by foreign shippers. We are, therefore, losing the best quality manpower.

GREAT EASTERN SHIPPING

at present is the buoyant stockmarket, which enables capital to be raised easily. With free pricing of equity issues, it is possible to significantly shore up net worth with a relatively modest increase in equity. A rights issue in a proportion of one for four, made at (say) a premium of Rs 50 per Rs 10 share, will mean a Rs 120 crore addition to net worth, but only Rs 20 crore increase of share capital. The financial strategy, therefore, has the right blend of prudence and ability to avail of an opportunity at the correct time.

This same blend of financial conservatism and entrepreneurial instinct is also to be seen in the company's diversification efforts. The offshore oil rigs owned by Great Attwood, GE's joint venture with Attwood Oceanic, were obtained at a fraction of current replacement costs, and the new company is doing reasonably well. The real estate division, which has spent some Rs 25-30 crore in acquiring land and putting up buildings, expects high returns (perhaps as much as 250% over a two-three year timeframe). A project for 1.8 lakh sq ft of office space at Vashi (New Bombay) has excellent prospects, given the completion of the railway link. Similarly, 1 lakh sq ft of residential accommodation being built in south Bombay should be another goldmine.

GE may, in the near future, look at some other industrial projects, and the thinking is to undertake one or two ventures, with a total capital cost perhaps around Rs 200 crore in the next two-three years. "We are in no hurry to reach Rs 1,000 crore turnover quickly," says Ravi Sheth, who is in charge of the new diversification. "We shall take it as it comes and, in our approach, perhaps combine both greenfield projects and takeovers. We have not yet completed identifying the precise areas of entry, but we are emphasising a long-term outlook, and a strategy of synergy with our existing businesses."

Currently, however, Ravi Sheth's immediate concern is to make Prime Securities spread its wings. The financial company has till recently been a wholly-owned subsidiary, and the effort is to use this vehicle to make a substantial entry into the financial services sector. In pursuance of this objective, the company hired a team of senior managers from Bank of America in March 1991, at what was then thought to be fabulously high salaries.

The costs, so far, have been fully justified. Prime Securities chief executive Neeraj Batra says that in the financial year 1991-92 (the results of which are still to be published) the company made a success of securities and stock trading. "We have done some Rs 7,000 crore business in securities and units last year," says Batra. "The figure looks impressive, but it must be remembered that the turnover in the securities market is enormously high, and the commissions are wafer-thin. And we have done some stock investment and trading on our own account. The market boom has of course helped."

Prime is reputed to have made very substantial profits in the last financial year, but Batra is chary of disclosing actual figures pending publication of results. The current direction, according to him, is to increase activity in portfolio management, bill discounting and leasing, and enter selectively into merchant banking, perhaps with a venture capital combination. Branches at Bangalore and Delhi are on the cards, and aggressive new recruitment is on.

"Retail portfolio management could be an area of substantial growth," says Batra. "But then growth could be slow, because backing that up with first-class quality service is difficult to achieve. Going retail would require a network of branches, and would need a careful look at costs and returns. Venture capital forays, on the other hand, hold promise, especially in the new environment. We have already identified a few projects. The downside is low, limited only to the equity exposure, but the upside unlimited."

Ravi Sheth reveals that there is an immediate plan to take Prime Securities public. An equity issue of about Rs 25 crore is planned for mid-1992, at a low premium because the company is relatively new. GE will retain 35% of the increased equity, and loans will be raised to allow a meaningful expansion of the company's business.

In sum, GE's diversification proposals, though individually small, could add up to fairly significant capital spending in terms of project costs. Combined with investments in the traditional area — shipping — the company could be embarking on a capital outlay of Rs 500 crore or more over the next two years. And while shipping will continue as the mainstay activity, the other ventures may shape up to become important new activity areas in the future years.

Thus though the peaks and troughs of the shipping business may continue to take its toll, its influence on the company's financial stability will be somewhat reduced. And this could well be cause for celebration for K.M. Sheth and his team — that though its 44 years since inception, have seen established shipping companies disappear from the scene, GE continues its courageous voyage of exploration into the uncharted seas of the future.

□ Subrata Roy

INDIAN SHIPPING'S BIG BOYS

	No of ships	GRT lakh tonnes
Shipping Corp of India	127	30.06
Great Eastern Shipping	36	5.58
Essar Shipping	29	2.75
South India Shipping	7	1.70
India Steamship	15	1.63
Ratnakar Shipping	4	1.09
Chowgule Steamship	11	2.35
Century Shipping	12	1.34
Jayashree Shipping	3	0.42
Surrendra Overseas	8	1.55
Larsen & Toubro	5	0.85

Note: (1) The list above excludes Scindia Steamship, which owns 13 ships with a total tonnage of 2.25 lakh tonnes.
(2) The total tonnage of the eight groups above are 49.32 lakh tonnes, that is, about 85% of Indian-owned tonnage, which is 59.38 lakh tonnes.

GE SHIPPING: A FINANCIAL SNAPSHOT

Rs crore

	31 March 1991	31 March 1990	6 months ended 30 March 1991
Share capital	71.21*	67.79	85.53
Reserves & surplus	108.68	81.89	—
Loan funds	162.17	166.54	—
Net fixed assets	326.74	291.15	—
Investments	12.43	6.63	—
Net current assets	2.89	18.44	—
Operating & other income	287.60	221.44	154.48
Profit on sale of ships	—	5.89	10.78
Profit on sale of sundry assets & investments	1.45	1.78	1.35
Profit before tax	37.14	47.49	36.43
Profit after tax	37.14	39.84	36.43
Net earning per share	5.21	5.87	—

* The company had proposed, and later distributed bonus in the ratio of 1:5, which is reflected in the increased share capital shown in the half yearly results declared for the period ended 30 September, 1991.

BRIEFS

■ **Larsen & Toubro** has entered into a contract with the Nepal Electricity Authority for the Trishuli-Devighat hydropower upgrading project, designed to boost power generation by one-third of the current output in the Himalayan kingdom. The 500 million Nepali rupee contract was signed last fortnight in Kathmandu.

■ The **Oswal group** has decided to formalise its entry into the lucrative areas of real estate and finance, says *Business Standard*. Group chief Abhey



OSWAL: *All above board*

Oswal had earlier been accused of trying to make inroads into these areas under the guise of setting up manufacturing projects.

Meanwhile, an *Economic Times* report says the Monopolies & Restrictive Trade Practices Commission (MRTPC) has instituted an enquiry against the vanaspati unit of **Oswal Spinning & Weaving Mills,** Ludhiana, for disproportionately hiking the price of vanaspati produced and curtailing production at the same time thereby making large profits.

■ **Mysore Kirloskar** has roped in US giant Synder General as financial and technical partner for a Rs 18 crore project to manufacture a complete range of pollution control systems. A new company called Kirloskar Synder General has since been incorporated with an equity base of Rs 2 crore. Each partner will have a 50% stake in the venture.

■ The Bangalore-based **Skyline group** is diversifying into leather shoes, prawn culture and processed foods. The group is floating a Rs 11.2 crore company, Skyline Leather Industries, in technical collaboration with Italian firm Lampomachine International.

■ The **Pure Drinks group,** promoters of Campa Cola, is making a foray into the telecom services sector, albeit through the backdoor, says *Business Standard*. It has teamed up with the Thapars to bid for the proposed cellular mobile telephone network in the country's metropolitan cities. The company is also slated to venture into paging and other value-added telecom services.

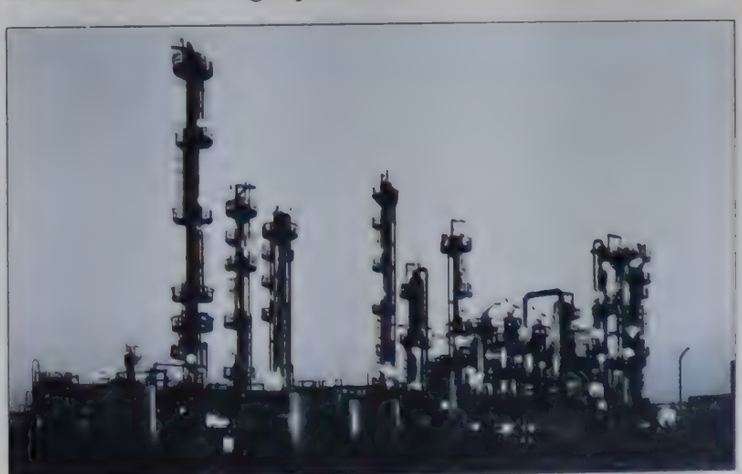
■ The **Cepham group** has promoted a Rs 28 crore joint sector project to manufacture drug intermediates at Derabari in Patiala district of Punjab. The new company, called Punjab Antibiotics, is being established in association with the Punjab State Industrial Development Corp.

■ The giant chemical fertiliser unit of **Chambal Fertiliser & Chemical Ltd** at Gadepan, Kota, is scheduled for completion by June 1993. The Rs 1,267 crore gas-based project, promoted by Zuari Agro Chemicals, is designed to produce 1,350 tonnes of ammonia and 2,250 tonnes of urea per day.

■ Best Western International, the US-based chain of hotels, has entered the Indian market with a tieup with five-star **Hotel Surya** in New Delhi. Following this, Surya has snapped its 10-year tieup with the Paris-based Sofital group. The hotel's new name will be Best Western Surya, according to Hotel Surya managing director Lalit Malhotra.

■ The Indian Petrochemicals Corp Ltd (**IPCL**) has set itself an export target of $20 million for the current financial year. This represents a 100% increase over last year's export achievement, as per a memorandum of understanding signed between IPCL and the department of chemicals and petrochemicals.

AN IPCL PLANT: *Booming exports*



■ **Khatau Junker** recently tied up with Italian company Geofarad srl for the supply of technology to manufacture low tension power capacitors of 415/450 volts.

■ **Videocon International** will market Panasonic fax machines for the first time in the country. This is also Videocon's first foray into office automation equipment. The company will start by marketing four different fax machines priced between Rs 28,000 and Rs 50,000 and designed to cater to specific needs of offices and distributors.

■ **E. Merck (India)** is considering diversification into pigments and other chemicals to reduce its dependence on pharmaceuticals, says *The Economic Times*. According to E. Merck managing director Valerian Crasto, the company has, over the years, reduced its dependence on pharmaceuticals from 100% to 55%. It has already cut down on the manufacture of several unremunerative products to reduce losses.

■ In a bid to consolidate its order book, Bharat Heavy Electricals Ltd (**Bhel**) is seeking ISO-9000 quality certification from some leading international quality certification agencies. With the help of the ISI certification, Bhel's entry into the quality-conscious international market will be easier.

■ In an attempt to shake off the inertia that is threatening its very existence, the Madras-based **Enfield India** is planning to hive the company into two separate ones as part of a major restructuring to be undertaken soon, says *The Observer of Business & Politics*.

BRIEFS

■ Hari Shankar Singhania's **JK Organisation** has decided to invest in the power sector. This is part of several major diversification plans being worked out at the group's corporate headquarters in New Delhi.

■ **Thermax** has entered yet another area — high-output and energy-efficient fluidised bed dryers for the tea industry. For this, it has entered into a technical collaboration with J.F. McCloy of the UK world leaders in tea drying technology and business.

■ **Agritech Hatcheries & Foods** is embarking on a major expansion plan to tap the $3,800 million world poultry meat market. The company is increasing its existing plant capacity fourfold at an estimated cost of Rs 41 crore.

■ London-based industrialist Swraj Paul says he has abandoned efforts to take over the Indian Iron & Steel Co (**Iisco**) project at Burnpur since certain conditions and the technology were "unacceptable" to him.



PAUL: *Abandoned Iisco plans*

■ Reliance Industries Ltd (**RIL**) has entered into a contract with Du Pont, under which the US company will export 6,000 tonnes of partially oriented yarn (POY). RIL is reported to be further negotiating a deal to export an additional 7,000 tonnes of POY per annum under a joint cooperation programme with Du Pont.

■ Oil India Ltd (**Oil**) will be allowed to join as a co-promoter in the Rs 3,000 crore gas cracker project in Assam. Assam industry minister Bijit Saikia had talks in New Delhi with the Union petroleum secretary in this regard.

■ In an attempt to shake off the inertia that is threatening its very existence, the Madras-based **Enfield India** is planning to hive the company into two separate ones as part of a major restructuring to be undertaken soon, says *The Observer of Business & Politics*.

AWARDS

■ S.V. Deshpande, Philips India senior executive in Bombay, has been given the **Indian Merchants' Chamber award** for 1991 for his contribution in promoting consumer protection.

■ The Netherlands government has conferred on eminent industrialist and philanthropist B.K. Birla the title of **Officer in the order of Orange Nassau**. The award is for his contribution to the growth of industrial collaboration with the Netherlands and for his role in education, medicine, art and culture. Birla is the first Indian to receive the award.



■ Minister of state for power Kalpnath Rai has given away **productivity awards** to four power stations of the National Thermal Power Corp (NTPC) — Singrauli, Badarpur, Vindhyachal and Ramagundam — for achieving excellent power generation.

■ Twenty-five thermal power stations equipped with Bharat Heavy Electricals Ltd's (**Bhel's**) thermal sets were among the 28 in the country which were given awards for meritorious service in 1989 and 1990.

LAUNCHES

■ **Castrol India** is launching a low-smoke two-stroke engine oil called Jett-X for motorcycles and scooters, according to company vice-president (marketing) Raman Pandya.

■ **Weston Electroniks** has launched a new state-of-the-art cordless telephone, Weston TP 340-V. Weston director Kamal Vachani says the new cordless telephone meets all indigenous requirements.

■ **Krâmer**, a division of Kopran, has launched a new drug, Roxitem — a new brand name for Roxithromycin. Roxitem is the first macrolide antibiotic after Erythromycin, which was launched in the early fifties and has been used worldwide to cure bacterial infections, despite its side effects. The new drug finds application in the cure of respiratory, ENT, genital, skin and soft tissue infections.

HAPPENINGS

■ A Rs 12.20 crore food grade **hexane plant** of the public sector Madras Refineries was inaugurated on 18 May by Tamil Nadu governor Bhishma Narain Singh near Madras. The plant is expected to not only enable India to stop hexane imports, but also enable exports of it.

■ The Stamford alternator plant of **CG Newage Electrical**, a joint venture promoted by Crompton Greaves and Newage International Stamford, UK, for the manufacture of brushless AC generators, was inaugurated on 15 May by Newage International managing director M.F. Mitchell at Ahmednagar, Maharashtra. The alternators range from 250 to 1,000 kva.

■ Bangalore-based Business Systems is organising a three-day **workshop** on "Exports and imports: policy procedures and incentives" at Taj Residency, Bangalore from 3 July. Senior executives dealing with exports, imports, customs, finance and foreign exchange are expected to participate in the conference.

Contact: Business Systems, 1220 (new number 2637), 34th cross, 28th main, 4th 'T' Block, Bangalore 560 041. Tel: 644873/3133.

Photophone is increasing its focus on photography-related areas.

READY, AIM, SHOOT...

It aimed and shot. And was bang on target. The year: 1983. The product: Hot Shot, a mass-market, user-friendly camera. The company: Photophone Industries India Limited (PIIL). So hot a success was Hot Shot that paeans were sung about it and it was ballyhooed as the marketing wonder of the eighties. PIIL, on its part, was spoken of as a company with a bright future.

But then, somewhere down the line sales cooled off, the company lost its hotshot halo and got tagged as a middling performer. Things weren't going entirely right for PIIL, or so it seemed. It moved into areas related to photography — film, processing paper, chemicals, the works — apart from launching a slew of new cameras. None of them, however, could duplicate the chart-topping performance of the initial Hot Shot. But PIIL managing director B.S. Kamat thinks this perception of the company is totally incorrect. Says he: "We're not just makers of cameras; PIIL is a photography company. As far as that is concerned we are doing well."



He goes on to explain that PIIL's ambitions have always been in the photography business as a whole. When the company first decided to enter this segment it found that mass-market cameras were not easily available in the country. (The only fixed-focus Indian camera in the market then, Kamat says, was a 120 mm model which was being turned out by Agfa Gavaert.) This was a major obstacle as it meant that demand for other related photographic material was limited. Explains Kamat: "A camera is the main catalyst in the photography industry. It is only when people buy cameras and start using them that the demand for films, processing paper, chemicals, and other related accessories is generated."

Concept selling. According to him, the first task for PIIL, therefore, was to get the layman to develop a yen for photography. Says he: "We decided to go in for 'concept selling'. The message we wanted to get across was that one need not be a 'good' photographer to click good pictures; that, with Hot Shot cameras, all you had to do was to 'aim and shoot.'" And it took to hardsell to get this message across.

The push clicked. (The not-so-stiff price tag of the cameras also helped increase the takeoff from shop shelves.) The sales figures for year one were a pleasing 1 lakh-plus, something which surprised even the management. Says Kamat: "Before launching the camera, we had conducted a study on the market potential, and the results showed that we would be able to sell only 25,000 pieces. Despite the low figures, we decided to carry on."

From 1 lakh, the sales raced ahead every year to hit a peak of 1.60 lakh in 1986. And the company regularly introduced new models to give photo-freaks a greater choice. Today, its range includes five Hot Shot models each in the 35mm and 110mm formats. The price ranges from Rs 62 (at the distributor level) for the Hot Shot Mini to Rs 900 for the Hot Shot 35 UF. Besides, there is the Photophone Minolta AF-E (cost: Rs 4,500) which occupies the slot in between the mass-market and the professional camera. It is turned out in very small numbers (around 10,000 in the past five years), mainly because the stiff price tag restricts demand. Also in PIIL's product battery is a camera called In-a-Snap costing Rs 6,000. Its USP is that it can deliver pictures instantly. In-a-Snap finds applications mainly in document photography and are exported to Polaroid Corp to be sold globally.

Recently, PIIL launched a new camera called the Hot Shot Macro. Positioned as an easy-to-use gizmo for clicking sharp and clear pictures of subjects as close as half-a-metre away, the Macro has a built-in flash. The sticker price: Rs 1,150, also at the distributor level.

The company is banking on the Macro to give a shot in the arm to its camera business, the performance of which is nothing to write home about. Consider: PIIL's camera sales are today hovering around the 1.50 lakh pieces per annum mark (1989-90: 1.37 lakh pieces; 1990-91: 1.46 lakh pieces — the installed capacity is 4.50 lakh). And sales of the snappers constitute only around 7.5% of Photophone's total turnover.

Kamat, on his part, says the management is quite happy with this showing. He again throws forth the argument that cameras are just a stepping stone to the company's mainline photography business. And he flashes sales figures to show that PIIL is on a good wicket. Says he: "Our turnover speaks for itself — we moved from Rs 26 crore in 1987-88 to Rs 48 crore in 1989-90 (15-month period) and further to Rs 52 crore in 1990-91. I think this is terrific progress."

He adds that in India cameras are lifetime buys and people use them till they become basket cases. Says he: "The concept of buying a second camera or a better model is just not there. And the moneyed class which can afford to do so prefers to buy foreign makes either from abroad or the smuggled variety."

Photophone is banking on the Hot Shot Macro to get its camera business back on the fast track

Marketing strategies. According to him, Hot Shot cameras are essentially targeted at the have-money-will-spend and rapidly-growing middle class in big cities and towns. "We are not trying to promote them in the rural market in any special way. Wherever we feel there is a big enough market, for example, Calcutta, we advertise in the regional language also," says Kamat. "And our commercials on Doordarshan, of course, have tremendous reach."



Apart from these conventional routes of advertising, PIIL has also taken another tack to snap up sales and lure the common man to take a greater interest in photography. It is setting up a chain of franchised computerised photo-finishing colour labs in association with Konica Corp. Each of the outlets is called a Konica Square, and the company has succeeded in dotting the country with 45 such labs over the past couple of years. The purpose of these franchised labs, explains Kamat, is to offer processing quality of international standards to customers. "Because of the poor quality of development and processing, people get put off and begin to lose interest in photography itself. We hope to prevent this by providing quality service," says Kamat. "Further, these Konica Squares also have a very attractive get-up similar to the shops abroad. They are places where people would like to come and spend some time."



A KONICA SQUARE OUTLET: *Attractive get-up*

The company has also developed another innovative service to meet another need of the common man: that of instant passport and smaller-sized photographs. And it has given it a label — Polaroid Studio Express. Under this, PIIL gives photography studios marketing and technical support. And, of course, an In-a-Snap camera sale is tied up as part of the deal. As of end-1991, the company had managed to set up some 1,700-plus Polaroid Studio Expresses nationally.

"Our basic advertising strategy," says Kamat "is *not* to promote just one product, but to build up faith in photography. We would like more, and more reputed companies to introduce cameras in the market because this translates into a greater demand for our other photographic material, like paper, film, chemicals, etc."

At present, paper and film (PIIL has a principal-to-principal buying arrangement with Konica and uses only the Japanese giant's products) constitute 60% of the company's total business. Audio-visual products, which include slide, overhead and film projectors, chip in with 10%, cameras with around 7% (In-a-Snap cameras contribute another 10%), chemicals churn out 2-3%, and others 10%.

In the coming years, PIIL plans a major thrust in the areas of film, paper and chemicals. In the company's dark room currently being processed is a proposed film-conversion project for rolling out Konica photographic film rolls from jumbo rolls of film with technical assistance from Konica. (Its earlier attempt at marketing Piccolo film rolls in the eighties flopped.) On the anvil are also plans to steam roll ahead in the field of instant photography "in a big way." Further, PIIL is also thinking of entering the diagnostic photography segment. As far as professional cameras are concerned, however, it is still a no-go area. "The volumes are too small and the overheads too large," explains Kamat.

"With our current growth rate and expansion plans we hope to become a Rs 200-crore company in the next five years," says Kamat. And he is confident of making it. "We never go for pie-in-the-sky targets. Our goals are very realistic."

Well, PIIL has got its focus on what it wants to do. Will it end up with a perfect picture?

□ Meenu Shekar

NESTLE'S SWEET GAMBIT

This isn't really a two-minute saga. Nor is it the tale of a noodle's rise to instant fame. Instead, it's the story of Maggi noodles and how customers got the nine-year itch.

Nine years after Maggi noodles was launched and with more than 90% of the instant noodle market still firmly in its grasp, Nestle's marketing executives are grappling with a curious problem: despite the steady introduction of a variety of flavours, old faithful 'masala' still accounts for a whopping 60% of Maggi noodles' total sales. And Nestle's foray into the sweet noodles segment hasn't really been a palate-tickling success.

Not that the company's executives, notoriously tightlipped about sales figures and marketing strategies, admit to viewing that as a problem. Says Nestle's Delhi-based vice-president (operations) D.A. Ardeshir: "For a product such as instant noodles, the improvement of existing flavours and the introduction of new flavours is a critical aspect which is undertaken on a continuous basis." Translation: some flavours are inevitably bound to click, others aren't.



MAGGI CHOCO-CHOCO NOODLES: *Hot favourites?*

Fair enough. Unfortunately for Nestle, however, few of its experiments with new flavours got the gastric juices flowing. A few years ago, the sweet and sour and *sambhar* flavours were quietly whisked off the product range after shoppers failed to pick them up off the racks. Last year, Maggi's sweet noodle range — Toffy Toffy and Frooti Frooti — didn't do well in the market either, a fact which Nestle executives don't confirm but don't deny either.

Going sweet. Reluctant to admit defeat in what it evidently sees as a market segment with mega potential, Nestle has now launched the Maggi Choco Choco range — just add milk instead of water. Says Ardeshir, explaining the rationale behind the company's decision to launch sweet instant noodles: "Research indicates that the prime consumers of Maggi noodles are children; the introduction of sweet noodles was based on the premise that children love sweet foods and, therefore, it would be appropriate to provide them with Maggi noodles in sweet form as well."

The foray into sweet noodles is also part of a bid to expand the market for instant noodles. Although there is no data available on the size of the total market for noodles in the country, Nestle executives say instant noodles account for just a small segment of that market. With instant foods finding increasing acceptance, however, instant noodles are likely to grow at a fast clip — which could mean new challengers in the market for the Maggi brand. Already off the mark is Brooke Bond's Top Ramen, which Nestle executives admit is competition, "but not on a national basis."

Market expansion is something which Nestle could clearly do with. Although staffers are tightlipped about sales figures and even the installed capacity, Ardeshir admits that there are no plans to increase capacity. "Our instant noodles manufacturing capacity was already increased some years ago and, for the present, is adequate to meet our sales requirements," he says.

Strangely, despite insisting that it has no plans to increase capacity, Nestle also points to a more than six-fold increase in the sales of Maggi noodles since the product's launch in 1983. Says Ardeshir: "With the exception of a period of stagnation in 1987-88, sales have been progressing very satisfactorily. And if you take 1983 as base index 100, sales in 1991 amounted to 650."

Where more plans are cooking, however, is in further brand extensions of the Maggi name. Although Ardeshir refuses to give specific details, he says: "At the international level there are a very large number of products being marketed under the Maggi brand. Some of these will certainly be introduced in the Indian market in the near future."

Already in the market are the relaunched Maggi soups range, (Nestle executives fight shy of giving figures but talk of an "encouraging initial response"), and Maggi sauces. Company executives claim that, with a fourfold increase in sales since the sauces range was launched in 1986, Maggi is now the current market leader among the larger national brands.

With more such brand extensions ready to move into store shelves soon, the two-minute saga could perhaps be rechristened 'more food for thought' then?

□ Sujatha Shenoy

A NEW LINE

The Mahanagar Telephone Nigam Ltd (MTNL) is a stodgy, fuddy-duddy organisation, right? Wrong. MTNL is about to get another dose of marketing savvy. Television commercials, hoardings, press ads, bus panels ... MTNL is going to use the works to increase awareness of two phone-plus facilities it provides: 'Call Alert' and 'Call Transfer.'

Jabbers on the phone are alerted about other incoming calls through a special tone under the Call Alert facility. And they can continue jaw-jawing, alternating between two callers in complete privacy. The Call Transfer facility enables individuals to forward calls to another telephone number when they are are not available to receive calls on their individual telephones. Each of these facilities costs Rs 20 per month.

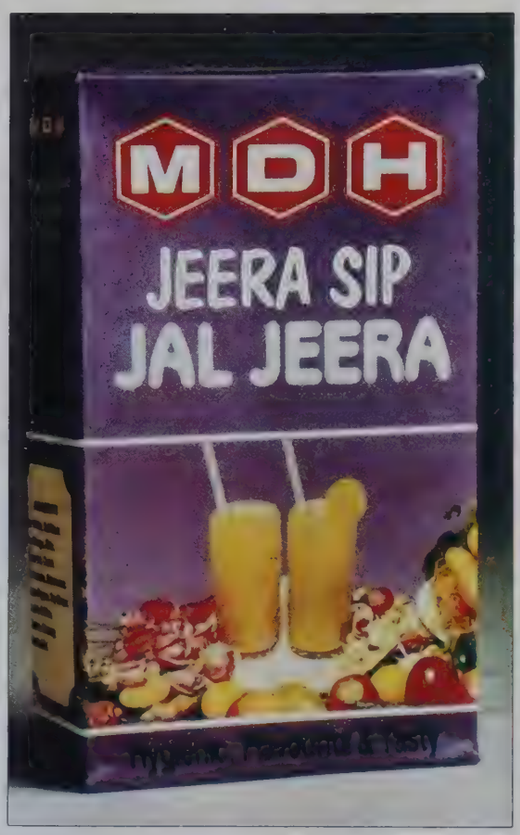
Says MTNL general manager (PR & marketing) Vinod Kumar: "Though Call Alert and Call Transfer have been available to the public for some time not many people have come forward to avail of them. Through this new multi media campaign we hope to increase awareness."

MTNL's budget for this push is Rs 10 lakh. And it hopes to net in Rs 26 crore as revenue in five years even if only 25% of its subscribers decide to hook into these facilities. Says Kumar: "Any revenue generated from this will be a bonus for us."

MTNL also plans to advertise its other phone plus services like conference, abbreviated dialling, reminder call, hot line, last number repetition and hunting. Says Kumar: "We will be marketing them one at a time so as to make the maximum impact." Will MTNL get the right number?

HOME-GROWN APPETISER

It's hoping to sip up some amount of success through its Jeera Sip. And Mahashian Di Hatti (MDH), the maker of a variety of powdered masalas, is leaving no stone unturned to popularise the drink. In the offing is a Rs 1.25 crore advertising and promotional campaign to support the indigenously-popular digestive *jal jeera* in the marketplace. Says MDH executive director S. Krishnan: "The market size for Jal Jeera is around Rs 15 crore. But as of now there are no strong brands; in course of time we hope to swing a chunk of this segment."



And to swing things its way, the company is pitching the product at health-conscious people. If company sources are to be believed, it will do wonders for your stomach. Says Krishnan: "Our USP is that the drink cares for health and all ingredients are natural products; nothing artificial is added."

Interestingly, though Jeera Sip will primarily be used to make *jal jeera*, it won't be restricted to just that. The powder (read *masala*) can also be used in *raita, curd, dahi vada, golgappa, panipuri* etc. The company expects Jeera Sip to contribute approximately Rs 5 crore in sales in two years.

Launched last March in the north, Jeera Sip is expected to go national in a year's time. Its pricing has also been strategically done keeping the middle class' purchasing power in mind — the 100 gm pack, from which 18-20 glasses can be made costs Rs 12.25 while the 500 gm pack costs Rs 53.50. A glass therefore works out to a cheap 60 paise. Any takers?

POWDER GIVE-AWAY

Making a mark in the Indian talcum powder market calls for plenty of marketing tack. And no one knows this better than the Ahmedabad-based Cadila Laboratories. Last year, it sashayed into this segment with its Second Nature brand. Only to come headlong into conflict with the titans in the segment — Pond's, Godrej and Levers. But then that hasn't deterred it from battling on.

Cadila is now trying to create some excitement around Second Nature. It's offering a Cadil cucumber face pack sachet free with each 400 gm talcum powder pack. Says the ad for the give-away offer: "An offer that'll change your complexion."

The gambit might not change the complexion of the guesstimated Rs 145-crore market overnight, but then the company is hoping to make at least a modest dent. Says Ad Avenues' Rajendra Phadke who handles the Second Nature ad account: "The rub-off is going to be there for both brands. There is a lot of synergy between the two products — since both cater to skin care — making it an attractive proposition."

The company is positioning Second Nature quite like what its competitors are doing for their brands. Says Phadke: "We are targeting it at the upwardly mobile woman, who is a self-achiever." And how is the brand doing? Phadke is reticent to come out with figures. The only thing he's willing to say is that the brand is doing well in its home turf Gujarat and some areas in the southern and northern regions.

About the free offering, Phadke is hopeful that it will lure at least some

customers, if not hordes. He says the free gift might induce consumers to go in for the brand. One hopes that gifting doesn't become second nature for Second Nature.

A MIRACULOUS TOUCH

There is good news for vehicle owners dreading the effects of the onslaught of the monsoons on their cars. Malhotra Miracle Sealants (MMS), an Ahmedabad-based company has introduced for the first time in India, Miracle Touch, a teflon-based chemical guaranteed to protect vehicles from corrosion.

Applied to cars through electrical buffers, Miracle Touch promises to act as a shield against scratches and rust. It reportedly can work a miracle when applied to dashboards, glass windows and tyres by protecting them from environmental abuse. It also serves as an engine degreaser, apart from preventing paint from fading.

Miracle Touch was launched about five months ago, with ads in the print media only. But it is only now with the monsoon clouds beginning to gather overhead that things have begun to speed up, both on the advertising and consumer fronts.

The cost for one application is Rs 2,630 for a Maruti 800, Rs 3,460 for a 118 NE, Rs 2,700 for a Premier Padmini, Rs 3,620 for a Maruti 1000 and Rs 4,300 for a Contessa. A one-year warranty is provided though the treatment is expected to last up to two years. Says Midas Miracle Touch (MMS' Bombay agent) sales manager U Moraes: "Sales have picked up over the past month and we are averaging about 30 cars a month." To increase offtake and awareness Midas is also planning to organise a camp next month wherein vehicle owners can drive in and get a bit of the Miracle Touch.

NO MORE GAS

It's surely living up to its name, though in a different sense. Bombay-based ICPA Health Products which has launched Gas Buster, a gas-reliever as distinctly conveyed by the brandname, is stepping on the gas in a bid to bust the antacid market. The company has launched a high-decibel multi-media ad campaign to enable its new product to make waves in the marketplace. And its ads tout the fact: "Here's Gas Buster — (for) Quick relief from Gas Trouble."

Says senior accounts executive of Creative Unit Bombay K.S.Kumar: "As the product has to compete with an 'n' number of products on shop shelves, the brandname was evolved after carefully considering the recall value and selling proposition. It's a takeoff on Ghost Buster (a Hollywood pot-boiler). The brandname stands vindicated. It has top-of-the-mind recall and conveys the message directly to the consumer."

Agrees ICPA vice-president (marketing) Kamal Kapadia: "Though the company has other medicinal products (read: ethical — ones that require prescription), this is our first entry into the over-the-counter (OTC) arena. And we decided to shout from the rooftop to advertise the fact."

And it certainly made a lot of noise. As a kind of prelude to the advertising blitzkrieg that was to follow, ICPA had a unique promotional excercise intended to catch the eye of commuting consumers.



The company had boys stationed on suburban highways en route to Bombay's main business districts holding banners aloft. One banner said 'Goodbye Gas' while the other announced the arrival of the product and that relief was at hand with the statement 'Welcome Gas Buster.'

Competitors are certainly not going to relish the fact that Gas Buster has arrived. Not that there isn't enough room for new players. Says Kapadia: "The antacid market is worth about Rs 75-80 crore and is totting an annual growth rate of 22%." But ICPA's totally different tack could cause a lot of indigestion among competing brands like Gelusil, Digene and Eno. Says Kumar: "Gas Buster has more of a consumer-friendly appeal. The fact that it's an OTC product helps."

And what exactly is its USP? Kumar avers that it has a special formulation — dimethicon, in addition to other ingredients — to fight gas. He claims that other brands fight gas only in the stomach, whereas Gas Buster works in intestines also. And the fact has been tomtommed in the ads ("works in stomach and intestines").

Gas Buster is targeted at executives, housewives and even elderly people through its television ads (though in the print ads the focus is on executives). Says Kapadia: "Consumer research shows that people in metros live a hectic life, have irregular eating habits and inhale a lot of carbon. We are mainly targeting at those people who have intestinal problems as a result of high acidity."

At Rs 10 a strip, Gas Buster is certainly costlier than the other commonly available acidity remedies. But then if it continues with the noises it has been making, it might end up making a impact in the market and, probably, also give its competitors a fair amount of heartburn.

MANGO MANIA

In Bombay, King Alphonso continues to be the greatest marketing gimmick of the season. If it isn't ice creams or other consumer products which are hitching their fortunes to the mango, this time around it's the media.

In mid-May, The Times of India (ToI) group's long-struggling daily *The Independent*, fell for the juicy charms of the yellow fruit. It flagged off a Dial-M-for-Mango offer. Everyday, the publication named a personality of the day (Zubin Mehta, Rajiv Gandhi, Sachin Tendulkar were three of those chosen) in its pages. Readers were exhorted to keep a close lookout for the name of the individual for a call would be put through to them, and if they guessed right, a dozen Alphonsos would be theirs within 48 hours.

The offer was devised by *The Independent* management along with Synergy, an advertising and marketing consultancy, which also handled the "Say Cello, not hello" scheme. The purpose behind Dial-M-for-Mango was "consumer promotion and to widen the trial base," says Synergy director Dushyant Mehta, who also handled the tele-marketing service.

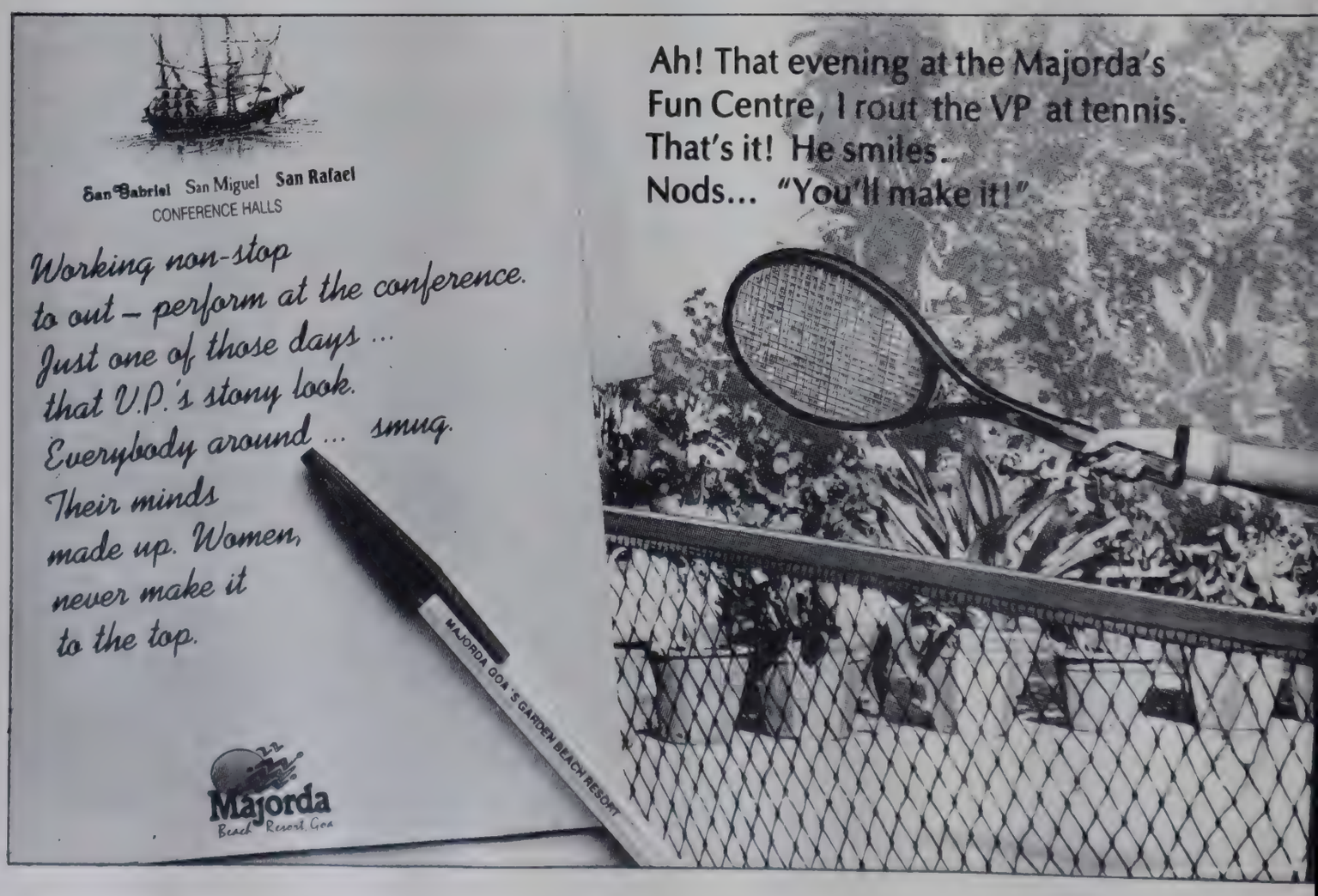
And the target audience? "Executives and business people in the income group of Rs 2,500 and above. Demographically and psychographically, those people interested in arts, analysis, more than just



news," adds Mehta.

The Independent as one might recall has never been certain of the *avatar* it should adopt. Rumours of its impending closure were making the rounds recently. And what better way to squash them than dishing out mangoes — that too free. Says a ToI group spokesman: "The mango is the king of fruits and Bombayites have an emotional attachment to it. Using that we tried to create excitement around *The Independent*. Newspapers need familiarity and peer influence. In this case, we hope the diffusion effect (through word-of-mouth spread) will take place."

That may happen. But the fact is that it takes more than mangoes to make a newspaper a success.



GOING GA-GA OVER COLA

It's real cool about cola. Soft-drink concentrate supremo and Rasna maker, the Ahmedabad-based Pioma Industries, had widened its flavour range by launching Rasna Cola Cola in Ahmedabad last October. Encouraged by the "phenomenal" response to it in the words of Pioma marketing manager Ashok Vithlani, the company has taken it national this summer.

And Rasna Cola Cola (RCC) — which comes in six glass *chota* packs costing Rs 3 besides the usual 32-glass one (cost: Rs 42.50) — is getting hefty ad support. There've been TV ads on the national network, and on all the



regional kendras, press ads in all the mainline dailies and magazines and local sales promotion efforts with vans announcing the launch and playing the jingle. Says Vithlani: "The advertising for the launch is similar to the launch of a new box office hit. The TV commercial looks like the trailer of film titles and is called *Rasna ka Dhamaal*. It features children mimicking popular filmstars along with the Cola Cola mascot."

This is entirely in keeping with Rasna's target audience — the 6-12 year child — but Pioma has gone one step further. "RCC has been positioned very differently. As the cola flavour is associated with adventure and fun, it was felt this would be better communicated to boys. Therefore, we are using the male child as the entry route for RCC into the household," says Vithlani.

Promoted as a drink that can be served either with chilled water or soda ("it gives the flavoursome taste of the real cola even in chilled water"), RCC was developed entirely in-house. Vithlani feels that the product will only help consolidate Pioma's position in the market (size: 1,200 million glasses; growth rate: 9% per annum) further.

It could hardly hope for anything more than that. Pioma already has an 80% share of the non-aerated cold drink market comprising squashes, syrups and concentrates, and a 90% slice of the soft drink concentrate category alone. That's some unquenchable thirst.



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AD PALACE/MBR/171/82

"THE NAME SAYS IT ALL"

In May 1991 Videocon introduced the Little Cooler, a new concept in the field of cooling devices. A cooler for coastal areas, it is small in size (width: 43.5cm, depth: 33.0cm, height: 64.0cm) and reasonably priced at Rs 2,390-2,900. It claims to be ideal for areas of high humidity where the traditional desert cooler is not effective. Videocon vice-president (marketing & sales) N. Gupta spoke to Meenu Shekar of Business-World *on the marketing strategy.*

■ On why Videocon launched the product.

When we had a quick look at the cooler market we found that since desert coolers cause an increase in humidity they were not effective in coastal areas of high humidity and average heat. We realised that if we could control the humidity aspect we would have a new cooling device for these regions.





THE LITTLE COOLER RANGE & GUPTA (INSET): *A breath of fresh air*

■ On the areas where it has been launched.

From Gujarat right through the coastal areas and then till Assam, barring a few parts of Madhya Pradesh.

■ On how it is different from a regular cooler.

Instead of the usual *khus-khus* pads and motor pump, the Little Cooler has a synthetic pad that rotates through a trough of water. Since the humidity in a traditional cooler is largely due to the *khus-khus*, by using the synthetic pad we have been able to control this factor effectively. Also, instead of a fan, the Little Cooler has a blower, which is less noisy than a fan and has a greater capacity to draw and push out air. (The blower, however, is effective only in small coolers. For big coolers it is essential to use a fan.)

■ On Videocon's marketing strategy for the Little Cooler.

We have positioned this product between the desert cooler and the fan. The name Little Cooler itself was meant to convey our message. Apart from indicating the small size, which is very convenient, it also makes it clear that people should not expect too much from it. We wanted to get the message across that this cooler would function more like a 'cool fan' and not like an air-conditioner. We emphasised that its unique point was that unlike the traditional cooler this does not increase humidity. And that its purpose is not to cool the environment but to simply give a draft of cool air.

The pricing has also been very economical (Rs 2,390, Rs 2,660 and Rs 2,900 for different models) and can easily be accommodated in a middle-class budget. We want to popularise it as a 'personal cooler.'

We were very sincere and honest in our marketing statements and did not over-promise anything. This has gone a long way in winning the confidence of the consumers.

Initially there was a lot of skepticism, but once people started using it there was a lot of word-of-mouth publicity.

■ On whether it would be effective in very hot areas also.

Yes. But here again its main purpose would be to give cool breeze and not cool the environment. In these regions it would be more useful as a second cooler or as a replacement for the pedestal fan. To make sure that people did not misunderstand the concept and get disappointed when they compared it with the traditional cooler, we have delayed its launch in these areas for the time being. Instead we have recently launched our latest product — the Smart Cooler — which is a regular desert cooler.

This is priced at Rs 3,900 and there is a temperature drop of 14 degrees at the grill. Once this gets established in the market, we will introduce the Little Cooler in these areas also.

■ On the sales figures.

We have sold phenomenal volumes of the Little Cooler. In the six months since its launch in May 1991 we have sold 75-80,000 units and expect to sell 3.5-4 lakh pieces in 1992.

■ On the profile of the buyer.

It's very extended. Professionals buy it for their offices, medium- and small-size restaurants, students staying in hostels, housewives for use in the kitchen etc. Besides, people who already have air-conditioners use them as spot coolers.

■ On Videocon's investment.

Around Rs 4 crore. We expect the coolers to account for a 10% share of our total business.

A SOUND DEVICE

An ad's memorability is vital. To be effective, it has to first penetrate into people's consciousness. Without recall, there is no communication. With recall, there may be.

Advertisers use various methods and techniques to get high recall for their ads. Sound is one such route. The sound of silence was brought out in the Rolls Royce ad many years ago: "At 60 miles an hour the loudest noise in this new Rolls Royce comes from the electric clock." Its popular Indian avatar — the "*Aawaaz hi nahin karta*" Allwyn fridge ad — is another illustration. The sound of music has, of course, been used very extensively. Apart from all these, one device which has worked well in Indian advertising is onomatopoeia — the formation of words the sound of which is imitative of the sound of a noise or action or a thing. Hiss, sizzle, buzz, bang and cuckoo are some examples.

The Vicks cough drop TV commercial is an excellent example of this technique. The irritation due to a sore throat and the resultant noise are well depicted in the words "Khich-khich" and have given the ad and the brand a very high recall. Another good example is the Chiclets ad which has "Chik, chik chik" as the audio effect resulting from a chewing gum pack being shaken. In yet another case, the Taj tea bags "Dip, dip, dip" sound stimuli are well remembered.

Sound stimuli are units of energy which excite our sensory receptors. Research has shown that our sensory receptors have limited sensitivity, which means that our sensory processes produce sensations for only a specific range of stimulus values. Consumers pay attention to only a small proportion of the resulting sensations while literally ignoring the rest. Attention is a filtering mechanism which can be viewed as the allocation of processing capacity to stimuli. The more the allocation, the greater will be consumers' awareness and comprehension of it. Consumers allocate their attention on both a voluntary and involuntary basis. For voluntary attention, stimuli are deliberately focused on because of their relevance to the task at hand. A careful review of a manufacturer's specifications on a car that one is about to purchase is a case in point.

Conversely, involuntary attention occurs when a consumer confronts novel or unexpected stimuli that seem interesting or distinctive in some way, even though they may be unrelated to the current goal or activity at hand. Catchy or unusual sounding ads fall in this category. The "Oof Oh!" execution went a long way in making the Promise TV commercial memorable.

In fact, most of the stimuli that consumers process reach awareness via involuntary attention. Certain characteristics of stimuli themselves attract attention. Generally these include emotion-arousing properties (like pleasant phrases), physically-intense values (such as loud noises) and novel or surprising features. Gaining attention and then processing information is very relevant to consumers' product evaluations. They judge products and services based on 'intrinsic cues' like shape, size, colour and ingredients. But they choose more so through 'extrinsic cues' like onomatopoeia-using ad messages. The way in which 'extrinsic cues' are encoded can strongly influence a consumer's brand choice. A good illustration is the Hot Shot camera TV commercial which used onomatopoeia to great advantage. Who can forget "Khatak," which was encoded by consumers to mean convenience, speed, ease of usage, simplicity and efficiency.



To conclude, the onomatopoeia technique has two important implications for advertising. First, one can create ad messages with the unique sound aspects of onomatopoeia incorporated in them. This mnemonic technique involves development of a pattern for a series of seemingly-unrelated facts so that they can be easily remembered. These sound and word associations are extremely effective. The pains reflected in the Iodex TV commercial in the word forms of "Ooh! Aah! Ouch!" generated great gains for the brand in terms of recall, sales and marketshare. This occurred because the ad material with this unusual sound aspect was least affected by the interference process of forgetting.

Secondly, memory is cue dependent and presentation of relevant cues will stimulate recall. Apparently, certain cues present during the learning context become associated with the material in memory. Their presentation by advertisers, at a later date, could facilitate recall of the learned material. This process can be very judiciously employed by designing packages and point-of-purchase displays to contain the same ones used in ads for the brand. 'Khatak' Hot Shot, 'Dip dip dip' Taj tea bags, 'Khich-khich' Vicks and 'Oof! Aah! Ouch!' Iodex have extensively used this process.

The process of forgetting brand information and how it can be minimised has been of increasing concern to marketers. Therefore, a strong recommendation that has been made for some time is to design ads that stimulate consumers' mental involvement. In this context, the use of onomatopoeia in advertising is likely to increase in future. In the days to come it may truly be regarded as a 'sound' marketing practice.

□ Jagdeep Kapoor
The author is general manager, Parle Agro.

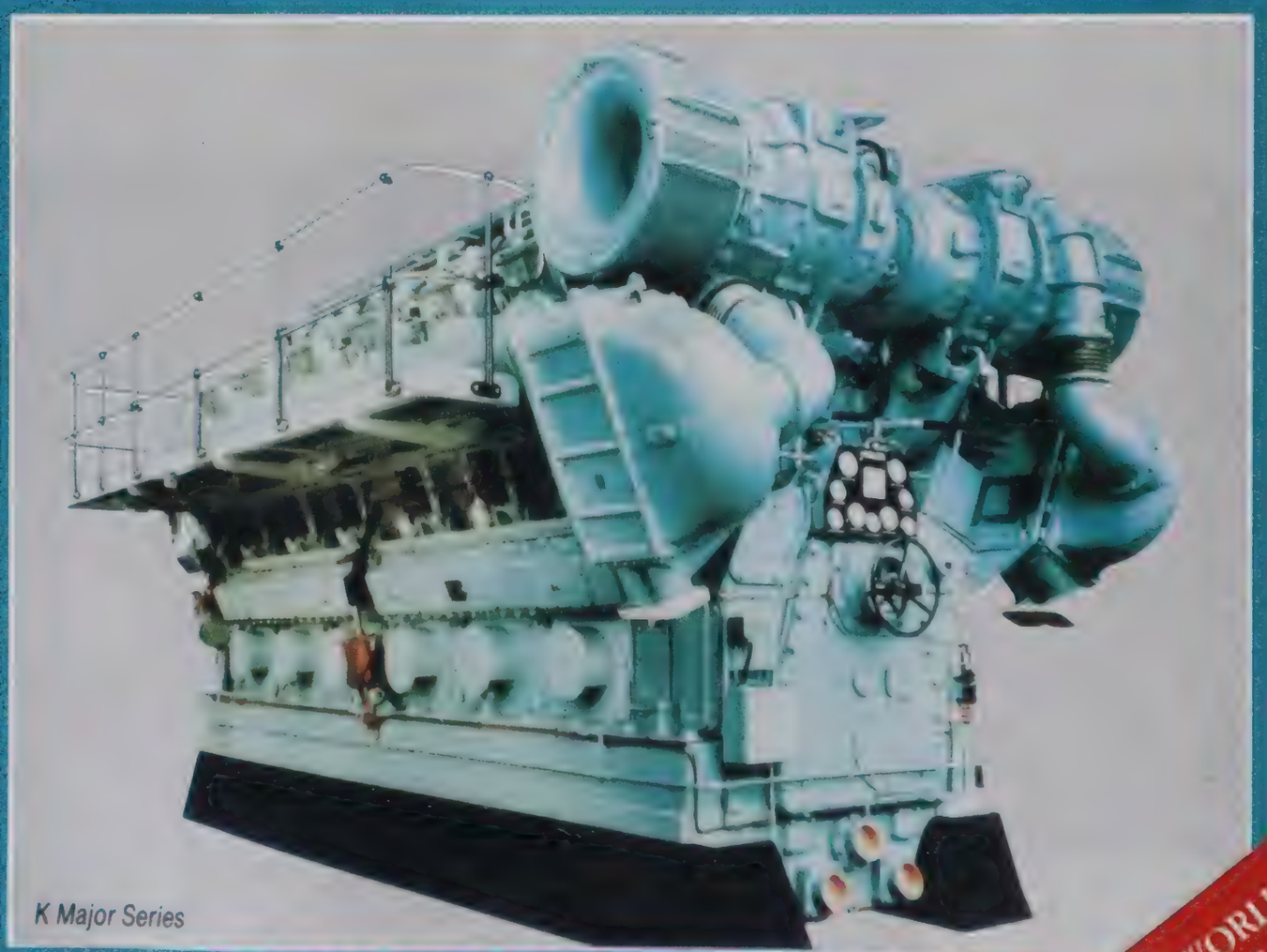
One device which has worked well in Indian advertising is onomatopoeia

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A scathing CAG report bruises CMC chief P.P. Gupta.

CHAIRMAN CONTROVERSIAL

Prem Prakash Gupta *almost* made it to a hero's retirement. Until the first week of May, the dapper, genial chairman-cum-managing director of CMC was coasting towards a fine finale. Only a few months before, he had marked the high note of his career with the takeover of Baton Rouge Int, a US software firm. And he hoped to do an encore just before the curtain came down, with the acquisition of a German infotech company.

But his dreams of going out in a blaze of glory went down in flames on 6 May, when the comptroller and auditor general's (CAG's) report on CMC was tabled in parliament. The report opened a veritable can of worms, exposing a seemingly unending list of the company's (and, by extension, Gupta's) failures — bad debts, losses, shoddy accounting, poor management... the works.

Worse was to follow. Even as some members of parliament went to town with the CAG report, allegations against Gupta's character began to come into play. He was accused of siphoning cash out of the company to fund his lavish lifestyle, favouring his wife and close relatives with contracts and jobs, paying those in the know to keep the financial irregularities from becoming public. The controversy reached a crescendo when one financial daily devoted an entire page to his alleged mismanagement and misdemeanours.

To compound it all, Gupta receded into a shell and shied away from reporters. When *BusinessWorld* did manage to speak to him, he was reluctant to discuss the CAG report in any detail, preferring instead to touch briefly upon one or two peripheral issues.



GUPTA: *In the eye of the storm*

Far from perfect. To be fair, the CAG report is far from perfect. At some points, it displays poor understanding of the infotech industry realities, and the limitations thrust upon CMC because of its public sector status. For instance, the CAG tries to make some kind of point of the company's high staff turnover rate. It does not mention that this is generally true of all infotech companies, and that many of those who've left CMC over the years now work in the US and the UK, where they earn 10 times as much money as they could have earned at home.

Nonetheless, the report does contain some damning evidence of mismanagement. To quote some examples, the CAG points out that CMC couldn't realise its debts in any single year of the seventh plan; that it failed to pay the government any dividend during the period; that it doesn't have a decent cost accounting system; that it has no clear pricing policy; that it made a hash of the Indonet project. Confronted with these points, Gupta chose to respond to only one — the charge that CMC's cost accounting system is woefully inadequate. "It is not possible to do costing for every individual item," he says, offering no further explanation.

The disclosures in the CAG report have prompted industry observers to take a closer look at the 'achievements' that have won Gupta headlines in recent months. Seen in the light of CMC's failure to pay dividends to the government (not to mention its consistent default in payment of loan instalments), the company's much-touted art collection seems an extravagance. So too, its new Rs 10-crore "intelligent" building in Bombay. Even the Baton Rouge takeover has come under fire — Gupta's critics point out that the American firm has a history of red ink and say it will cost CMC a small fortune to get it back into black.

Gupta stoutly defends his actions. The "intelligent" building, he says, is a worthwhile experiment. "The extra expenditure was somewhere between Rs 60 lakh and Rs 1 crore... we're expecting 30% savings in energy costs because of the natural lighting and materials we've used." As for Baton Rouge, Gupta maintains that the company fits into CMC's globalisation ambitions.

It is not yet clear what action, if any, New Delhi will take on the CAG report. Capital grapevine has it that a CBI investigation is in the offing. But on the surface Gupta seems pretty calm in the eye of the storm. As his retirement day (31 July) approaches, he looks back on his tenure as "a challenging, very satisfying experience." If he's bitter about the way his career is coming to a close, he's doing a good job of hiding it.

□ Anup Jayaram

As its banking products begin to make their mark...

COSL'S COSY IN ITS NICHE

Citicorp Overseas Software Ltd (COSL) has sold just two packages of Finware, its retail banking software product, in nearly six months. But chief operating officer S. "Vishy" Viswanathan is a happy man — for two very good reasons.

First, each package fetched the Bombay-based export-oriented unit $1 million, which is pretty big money by Indian software industry standards. And secondly, in the closed, clubby world of international finance, a breakthrough deal with one bank is often worth more word-of-mouth publicity than fat advertising budgets can buy. Which is why Viswanathan believes COSL "is on a take-off phase."

Of course, it may be many years yet before the company (1991-92 revenues: an estimated Rs 16 crore) reaches the relatively stratospheric heights achieved by the likes of Tata Consultancy Services and Tata Unisys. COSL's turnover target for the current fiscal year is a mere Rs 22 crore. Viswanathan, however, doesn't pretend to be chasing the industry leaders: "Our aim is to be a world-class provider of banking and finance solutions; if we'd wanted to be the overall Number One in revenues, we wouldn't have chosen a niche market."

Banking and finance may be the logical choice of niche for a member of the Citibank family, but Viswanathan bristles at any suggestion that other group companies push business COSL's way. Says he: "The logo on our stationery helps only to the extent that the letters we send to various Citibank units are not dumped into the dustbin without a reading — beyond that, we have to work very hard for our business." Not all of COSL's business comes from fellow group-members; the two Finware packages sold, for instance, went to non-Citi banks in Malaysia and Indonesia.

The company's plans for Finware — and Microbanker, its wholesale banking system — are focused, for now, at the east Asian region. It will concentrate on two or three countries at a time, seeking deep penetration into the markets there. Says Viswanathan: "The demand in countries like Malaysia and Thailand is growing fast; more and more banks are looking for packaged software rather than customised solutions."



VISWANATHAN: *Sitting pretty*

A snag. However, Finware's market potential in this region is somewhat restricted. Reason: the product runs only on Stratus computers, which are widely used in the US and Europe but are comparatively few in Asia. Besides, the banking industry as a whole is in the process of standardising on 'open systems,' as epitomised by Unix. Proprietary hardware systems like Stratus are on the decline.

For his part, Viswanathan maintains that Finware's hardware limitations are of little consequence. "When it comes to mission-critical applications, banks don't hesitate to buy proprietary hardware," he says. All the same, he admits COSL may have to develop a Unix version of the product, "in a couple of years' time."

Microbanker, on the other hand, poses no such problems; the product was developed expressly for the Unix environment and can, therefore, easily fit into most banking systems.

COSL has no plans to add to its product range this year. Instead, it will continuously refine and enrich Finware and Microbanker, adding new modules and features. Says Viswanathan: "Developing an entirely new product now would mean spreading our resources too thin."

Besides, he already has plenty on his own plate. Now that chief executive Ravi Apte has been entrusted with broader, pan-Asian responsibilities, the day-to-day running of COSL has fallen on Viswanathan's shoulders.

That's a heavy burden, especially since the company is — by his own reckoning — in its "take-off phase." But Viswanathan isn't daunted by the task. "We're in a growing niche and our strategy on application software products is beginning to yield results. I'm very bullish about our prospects."

□ Aparisim Ghosh

There's more to *E-X* than just marketing hype.

THEY ALSO SERVE...

Service — what's that? In an industry where most vendor-buyer relationships terminate the moment a deal is closed, Tata Consultancy Services (TCS) hopes to set an example in good post-sales care with *E-X*.

The company has already set one new trend with its best-selling business accounting package: it brought hype and hoopla to the dull, dreary software packages market. The marketing gimmicks that surrounded the launch of *E-X* helped TCS sell 8,000 packages in fiscal 1991-92, making it the most popular made-in-India software product ever. Although its contribution to the company's estimated Rs 160 crore turnover was small — in the region of Rs 5 crore — the package is clearly TCS' pride and joy.

But that, says marketing chief Lal C. Singh, is only half the success story: "The mechanism we have established for after-sales service will be an industry standard in its own right."

Singh has established a special 'Customer Care Cell' (CCC) to render what he calls "proactive service" to *E-X* users. To collect feedback, the CCC conducts a daily mini-poll, calling 15 users, chosen at random. "We ask for their opinion, their advice," says Singh. The feedback is tabulated, filed and closely analysed. Users are then listed under four heads, ranging from those who are compeletely satisfied with the product to those who have complaints.

SINGH: *Setting software service standards*



Special care is given to those who report problems with their packages. Most problems can be solved over the phone. Those that cannot are dealt with by service personnel — TCS has offices in most major cities. Says Singh: "Our target is to take care of the matter within seven days."

Valuable inputs. The CCC serves another purpose too; it provides TCS' software developers with valuable inputs for the next version of *E-X*. Says Singh: "We're constantly trying to improve on our work... there's no such thing as a perfect product." Some of the new features in the upgrade will be the result of symptom analysis conducted by the cell.

Singh won't, however, disclose the launch date of *E-X 2.0*. Nor is he ready to reveal details about the next TCS software product, believed to be in its final stages of development. Singh hints that it will be aimed at companies, rather than individuals, and that TCS will sell the source-codes along with the product so that users can customise it to suit ther needs. His prediction: "I think it will generate among managers the kind of excitement *E-X* has created among traders and small businessmen."

KCPL's alive and ready to kick off exports plans.

NEVER SAY DIE

The infotech industry gave up Kale Consultants Pvt Ltd (KCPL) for dead when its ambitious deal with Nixdorf fell through a couple of years ago. The Bombay-based outfit was to set up and run a software development centre for the European giant, but Siemens' surprise takeover of Nixdorf scuttled the project.

KCPL then went through an indifferent patch. Turnover in 1991-92 was in the region of Rs 1.6 crore, as against Rs 1.3 crore the previous year — even taken together, it was nowhere near the projected Rs 20 crore that the KCPL-Nixdorf unit was to have posted in its first two years.

But Narendra H. Kale isn't ready to throw in the towel. The cancellation of the Nixdorf project, he admits, was a major blow. "But there's no point in brooding over it." He isn't waiting for opportunity to come knocking. Instead, he's preparing the company for a major export thrust. And he's banking on KCPL's long experience in devising software solutions for the service industry to pay rich dividends in markets abroad.

The company is currently prospecting markets in Asia for three products:

- An integrated hotel information

system (HIS) that covers virtually every aspect of the business — from reservations and billing to foodstuffs inventory control;
- A sophisticated hospital management system (HMS) that handles everything, from patient administration to laboratory results; and
- Open Branch Management System (OBMS), a retail banking package.

Unlike most Indian software exporters, KCPL can legitimately claim to have tried and tested its products at home. The company has installed HIS in eight hotels (including the Taj Mahal in Bombay), HMS in 30 hospitals (including Breach Candy in Bombay, Kothari Medical in Calcutta and Batra Hospital in Delhi) and is in the process of computerising 20 bank branches. Says director Vipul P. Jain: "We've studied all three businesses very closely... our products are the result of intensive research and expertise gained from practical experience."

The expertise doesn't come cheap. A complete HIS or HMS solution can cost anything between Rs 8 lakh and Rs 1 crore, depending on the size of the hotel/hospital concerned. The OBMS is priced between Rs 10 lakh and Rs 50 lakh. The software component varies according to the number of modules employed and the complexity of the total system.

The company has already notched up its first export order, an HMS for a Malaysian hospital. It is negotiating with prospective HIS buyers in several east Asian countries. Says Kale: "All three products have great potential."

Perhaps. But the competition is fierce, and the risks are (as in all software products) high. Surely Kale must wonder, at least occasionally, how much easier things could have been if the Nixdorf project had gone through? If he does, he's certainly not prepared to admit it. "These things happen... I'm pretty confident something better will come my way."



KALE (L) & JAIN: *Exporting expertise in packaged form*

Small software outfits get a chance to prove themselves.

A TEST OF SKILLS

If you're prepared to take infotech industry pundits for their word, virtually every other Indian software outfit has the technical ability to rival Microsoft and Borland — but is hamstrung by the lack of financial muscle and access to markets abroad. The former will probably remain elusive for some time yet; but steps are being taken to provide small software companies with international exposure.

The Electronics & Computer Software Export Promotion Council (Elsoftex) has decided to send representatives of seven such firms on a trade mission to the US and Canada in September. The companies concerned will shortly be named by Montreal-based software consultancy outfit Ducrois-Muller-Roy (DMR), which conducted a rigorous selection exercise over a 21-day period in April-May this year.

TOLLER (L) & MILLER: *Picking the lucky seven*



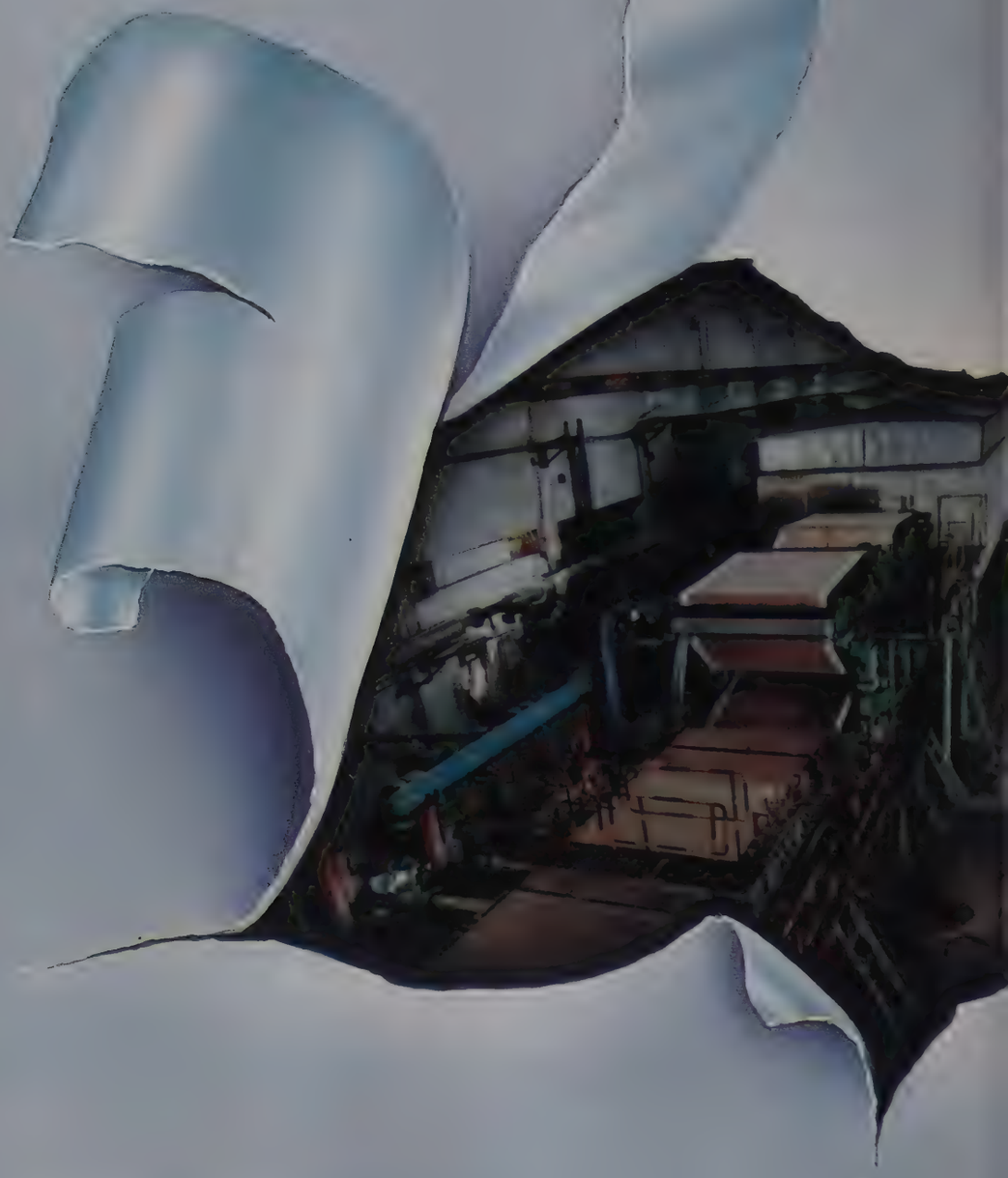
Liaison agency. DMR consultants Nancy Miller and Andrew Toller toured the country, assessing the software prowess of 70 small companies (revenues ranging from Rs 10 lakh to Rs 5 crore). The $200 million Canadian company will arrange the trade mission and act as liaison agency between the lucky seven and prospective customers abroad. Says Elsoftex executive director R.H. Naqvi: "With the new exim policy, we are beholden to provide help to exporters, especially the small and medium-sized ones."

Of course, the team is not expected to return with a planeload of orders; but DMR's reference should help the companies establish their credentials with buyers. The interaction with infotech circles abroad should provide Indian delegates with some understanding of technological trends and market preferences. Small software outfits usually have no access to that kind of information, which is why so many Indian software products are woefully outdated and have no export potential.

More good news: if all goes well, DMR may also help bring foreign buyers to this country. As Toller points out: "Given India's attractive price-performance indices, a lot of (American and Canadian) companies would be keen to source software from here." Just in case you didn't get it, "attractive price-performances indices" is a cute new euphemism for cheap skilled labour!

A down-to-earth philosophy of success

Nath creates quality paper. By not cutting down even a single



NATH GROUP

In paper, hybrid seeds, bio-technology, pharmaceutic

ree!



The Nath Group is geared to produce over 65000 tonnes of quality paper every year.

Without a single tree being cut down.

This feat has been made possible by a breakthrough technology that uses agro-waste, instead of wood.

And since the paper mill is located in the heart of the sugarcane belt, the supply of agro waste (bagasse) is assured.

In addition, Nath would be the only agro-based paper mill that is fully integrated. With its own power generation and caustic soda recovery plants to ensure a pollution-free environment.

Nath's total integration concept has also made it one of the most cost-effective paper mills. No wonder, Nath has won a series of National Productivity Awards for excellence in performance, consecutively for five years.

On the anvil, are double liner kraft, white liner kraft and coated paper projects.

And a Rs. 200 crore 100% import substitute, global-size newsprint project, with a capacity of 1,00,000 tonnes p.a.

That's breaking new ground.



TAPOVAN
PAPER AND BOARD

Nath pulp & paper mills ltd.

Breaking new ground.

industrial chemicals...

CLEA 1021 NG 92

THE WRITE STUFF

SUGATA MITRA



Last fortnight, we looked at the options available on Microsoft's famous Windows program. A lot of people will tell you that Windows has been slow to take off in India. This is understandable — resistance to new technologies is hardly a new phenomenon. But Windows is winning more and more new converts everyday and I'm convinced it will soon become a standard package with all PC users.

It's now time to get a little deeper into some of Windows' more useful features. There are many of these, but I've chosen to start with 'Write' because word processing is probably the most common PC application going. We'll look at the others later in the series.

I'm not going to lecture you about Write's merits and demerits. Instead, why don't we go through this thing together? If you've got Windows on your PC, switch it on and let's get started.

Inside the "Accessories" option in Windows, you'll find a little icon (symbol) representing the Microsoft 'Write' word processing programme. To activate this, move your mouse until the little arrow on the screen covers the icon. Then click the left button twice in rapid succession. This is called a "double click." Once you have done this, the program appears as a neat box (or window) with the words "Write — Untitled" at the top.

The space inside this box is your writing surface. On the right side are two arrow marks, one each at the top and bottom of the screen. These allow you to slide your document up or down, should it be more than one screenful. Below the blank writing area, you see the word "Page 1" and two more arrows. These enable you to slide your document from one side to another, should it be wider than the screen.

So far so good. I started by typing the heading for this article. That done, I pressed the enter key and the little horizontal bar (the cursor) moved down one line. Now I got down to some typing and finished the first paragraph. It looked reasonably neat, but the characters were a little too thin for my liking.

On top of the blank area where you key in your copy is a section with the words "File Edit Search Character Paragraph Document Help." This is called the "menu bar"; it enables you to do all kinds of wonderful things with your typed text. After finishing my first paragraph, I decided to experiment a little with these options. I clicked on the "File" option and a box with some more options appeared. These allow you to load or save documents. The "File" option also contains the "Print" command, with which you can print out your work on a printer.



Since I was going to try some options I hadn't tried before, I decided to save what I had written before exploring. So I clicked on "Save" under the "File" option and the program asked me for a name to call the article by. I typed in "WORD1" and pressed the Enter key. The program dutifully saved the text. Now I could afford to take some chances.

I moved the cursor to the beginning of the first letter of the title and "selected" the title. This is done by pressing the left mouse button down and dragging the mouse over the words you want to select. The selected words appear as white characters on a black background instead of the usual black letters on white.

You must now learn how to select parts of the text in order to use the features of most word processors. This is important to the computer because it then knows to which words you want the changes to apply.

I wanted to change my title to big, bold letters so I selected the title and clicked on the "Character" option in the top menu bar. This brought down the usual submenu, this time with options to change fonts (typefaces) or styles — from normal to bold, italics, underlined and so on. I selected the typeface known as Helvetica and the style "Bold" for the heading. As soon as I had

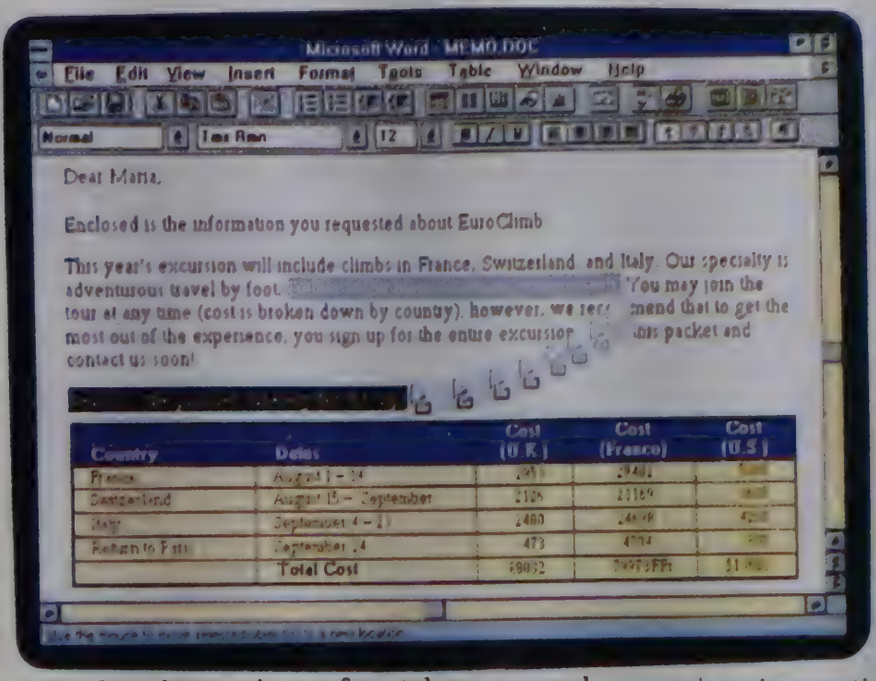
Nobody's come out with a comprehensive survey on computer usage as yet. Still, we'll stick our necks out to wager that 80% of those who've got PCs in their offices don't venture beyond simple word-processing. Most of the rest dabble in elementary spreadsheets and databases. We'll bet, too, that 90% of the PCs that sit atop executives' tables across the country are in actual use for less than 10 hours an average work-week — unless, of course, you count the time spent on Pacman and assorted computer games!

Computers frighten people. We won't go into the reasons here; there are far too many. Today's professionals have learned to live with PCs, but only to the extent that the sleek machines form a part of the office decor. The typical executive is still a long way from accepting his PC as a tool that can increase his productivity. Physically, he may be only inches away from his machine, but the distance between them is unfathomable.

PC Primer represents our attempt at bridging that gap. We're convinced that Indian industry won't come up to international standards until its executives begin to exploit their PCs to full capacity. So we'll tell you how to go about it, step by step. Our experts will be happy to answer any questions/doubts that bother you, so feel free to write in.

done so, the title changed to this font and style. I wanted to change the size of the characters as well so I went back to the "Character" option and this time selected the "Enlarge Font" option. The title immediately became bigger. As simple as that!

Feeling a little more confident now, I selected the entire first paragraph and changed the font to "Courier" and the familiar typewriter look appeared. Windows comes with a selection of eight typefaces — including one called "Symbols" that has common mathematical and other symbols.



I continued with Courier and wrote a few more paragraphs. Now I noticed that the paragraphs were all ragged on the right side, much as they would have if I'd been using a typewriter. If you're not comfortable with this, go ahead and change it. The "Paragraph" option in the menu bar can "justify" paragraphs; that is, make both left and right margins uniform by spacing out words as you would see them in a printed column. To do this, click the "Paragraph" option after placing the cursor at the beginning of a paragraph. The sub-menu under "Paragraph" lists all kinds of things you can do to the paragraph, such as left or right alignment, justification or increasing the space between lines.

I was now beginning to get a clean-looking document, and as a measure of abundant caution, decided to save it before I made any ghastly mistakes and wiped the whole thing out. It's been known to happen. When you save a document, you'll notice that the program tells you how many characters you have typed so far. That is what reminded me that I was getting pretty close to the end of this article!

But we still haven't got down to discussing the "Edit," "Search," "Document" and "Help" options in the main menu. Pressed for time and space, I took a quick look through these. The "Edit" option allows you to cut and paste sections of text between and across documents. This is extremely useful when you're altering drafts. It also allows you to bring in pictures drawn under some other program to illustrate your text. That is, I must admit, a little more complicated than it sounds; perhaps we'll go into that later in this series.

The "Search" option lets you look for a particular word or phrase in your text. You also have a "Replace" option under "Search" that will not only find an offending word or phrase but automatically replace it with another phrase of your choice.

The "Document" option enables you to add headers, footnotes and generally format your document by changing margins, placing tabs and so on. It has a selection called "Page Layout" that lets you set page sizes and margins for all pages. This feature can be of immense use if you were writing a book or a long, long piece.

The "Help" option is detailed description of everything you can do with this word processor and comes in quite handy if you are unsure of your ability to manage the program or if you want to use some of the more advanced features of the program.

Before you start using Write at work, I'd recommend a "trial period," during which you can fool around with the various options and get a 'feel' of the product. You'll probably goof up once or twice, but that's only natural. Use the "Help" feature as you go along; it makes things a lot easier.

Write is a standard feature of Windows 3.0. But if it doesn't satisfy your needs, you can pick from a wide range of word processors that run on Windows. WordPerfect for Windows and Ami Pro are highly recommended, but Microsoft's own Word for Windows is currently considered to be among the best word processing program in the world.

The new version of Word for Windows (Version 2.0) comes with an icon bar that can be customised, well-structured menus, informative dialog boxes and quick access to Help from most menus. Also thrown in are such luxuries as automatic envelope printing and effortless mail-merge. To top it all, it has probably the best graphical user interface (GUI) in the business. This makes it sheer joy to use. I'm not the sort who goes off into a tizzy at the sight of a good piece of software, but, quite frankly, I've never seen anything quite like the Word for Windows 2.0.

Warning: once you've used Word for Windows 2.0, you'll probably find your average word processor extremely cumbersome and unattractive. It's like drinking water after wine.

Write is a standard feature of Windows 3.0. But if it doesn't satisfy your needs, you can pick from a wide range of word processors that run on Windows

• *The author is principal scientist at NIIT's computer applications research division.*

OPTIMISATION VIA INFOTECH



Optimisation can happen only through extensive use of computers

Everybody's talking about optimisation. With good reason, of course. These are difficult times for Indian industry — money is hard to come by, markets are stagnating and competition is hotting up. After years of sloth, our companies are now being forced to become leaner and fitter, to make best use of what resources they have.

This much is certain: optimisation can happen only through extensive use of information technology. The benefits of computerisation are already evident in sectors like excise, customs, weather forecasting, crime prevention, shipping, railways, air transport, banking and the media. The use of computers should be encouraged to increase efficiency, improve productivity, optimise scarce resources and enhance the quality of life in both rural and urban areas.

Computers are finding increasing use in applications which require storage and processing of massive data. Examples: weather forecasting, space research, monitoring of rural projects and planning. Its application in areas like railway reservations have helped the common man and thereby improved the quality of his life. Computers also help India save valuable foreign exchange. If we look around we will find that industries or organisations which have used this metaresource have been able to get a competitive edge in India and a toehold in the world market.

We have to get away from using the computer exclusively for data processing and learn to use it as an optimising tool. Take the case of money, for instance. The use of money can be optimised, and its requirement reduced, if computers and information technology are used. To use an example, let us identify the inventory cycle for imported material. This cycle starts with the placing of the order and goes through the following steps: (i) opening of the letter of credit; (ii) despatch; (iii) receipt in India; (iv) calculation of customs duty; (v) payment of duty; (vi) clearance and receipt at the factory; (vii) inspection; and (viii) receipt in stores, to be available for use.

Through most of this cycle the material is not available for use and hence any product planning system has to cater to this fact. Inventory holding therefore has to be very high. If all the elements are available on the computer, it is possible to cut the total cycle by half. On an average the inventory holding is a three-month cover. Even a month's reduction is a massive saving.

A similar exercise can be conducted for the finished product cycle time, starting from the time the product is ready for despatch till it is actually used by the customer. Again, costs can be reduced through the elaborate use of information technology.

Now take the use of another scarce resource — oil. Plenty of oil can be saved if the weight/volume ratio of truck loading is optimised. This is possible through a dynamic model that can load more oil in the same space available in the truck. A 1% increase in loading can save the national exchequer crores of rupees. Computer software that allows for synchronisation of generators is available. This allows for a high load factor.

Using online transaction processing facilities within a manufacturing environment, it is possible to finetune the process flow so that upstream and downstream corrections can be made for any process delays affecting output, thereby minimising production losses. As a by-product, this system ensures less waste.

Traffic monitoring by computers will increase the speed of road traffic. Similarly, track monitoring will lead to increased utilisation of rolling stocks and greater safety. More men and material can be transported with the same infrastructure by a greater turnaround of wagons, carriages and locomotives. Indian Airlines, through its system of informing passengers about delays, and the Mahanagar Telephone Nigam Ltd (MTNL), through its paging facility, can enable greater productivity of senior managers. By using computer-based project evaluation and review techniques, projects can be controlled so that they can be completed on time and without cost overruns.

"Loan melas" should be organised for companies that want to use information technology to increase organisational efficiency and competitiveness. Depreciation rates must be hiked substantially. After all, the product cycle is at best three years. The depreciation rates must allow for this. Finally the government must encourage local research and development so that information technology suitable to our conditions is created.

What we need to do is pick up those areas where more people need not be added. In a country like ours, the replacement of a human being by a computer terminal is not only more expensive but also not desirable. In fact, if we can pick out areas which allow optimisation through the use of computers, more jobs can be created and there will be more prosperity and less waste.

□ Veer Sagar
The author is chief executive of DCM Data Products.

LAUNCHES

■ **India Tele-Comp** has launched Japanese firm Ricoh's VT2500 digital scanner-cum-printer in India. The product is ideally suited for users with high copy loads where a large number of copies are required from the same original.

The VT2500 prints 120 copies per minute and the machine automatically determines the correct contrast level and eliminates background distortion. Special functions are available to combine two different size originals in one copy, thereby reducing printing costs.

Contact: India Tele-Comp, 6-D Atmaram House, 1 Tolstoy Marg, New Delhi 110 001. Tel: 3311694/1698. Fax: 91-11-3311695.

TIEUPS

■ **MIPS India** has tied up with Ocelot Computer Services of Canada for exclusive marketing rights of the Ocelot2 series of SQL-based database managers. Ocelot is an ANSI standard database management system with a powerful stand-alone SQL engine and is fully compatible with IBM's DB2 database manager. It duplicates DB2 environment on personal computer (PC) compatibles and is available in single and multi-user versions under DOS and Windows.

Contact: MIPS India, 215 B Hind Saurashtra Industrial Estate, Andheri-Kurla Road, Andheri East, Bombay 400 059. Tel: 6367638. Fax: 6232641.

■ The information technology division of the **Datamatics Group of Companies** has been appointed distributor of SRA courseware in India. SRA (Science Research Associates) is an Australian company with global operations. It has been developing and publishing educational material for the past 50 years. As IBM's business partner, SRA works with experts from IBM to compile current and relevant training courseware.

Contact: Datamatics Group of Companies, Eucharistic Congress Building III, 5 Convent Street, Bombay 400 039. Tel: 2020478/0531.

IBM is seeking a $500 million five-year loan from European banks. The company said the complex restructured deal, which was being arranged by Citibank using a Cayman Islands corporation, will be used "to finance operations and for customer-financing." IBM's long-term debt rating was downgraded in March by Moody's Investors Service, a leading credit rating agency, from Aaa to Aa2. Standard & Poor's, another rating agency, has kept its top AAA rating for IBM but has listed the company under "negative outlook" since last August.



IBM'S NEW OS/2: *An improved version*

Meanwhile, IBM's new version of OS/2, the shipment of which began in late March, is expected to overcome problems of earlier versions, including the inability to run MS-DOS programs easily. Analysts estimate that IBM will sell 2 million to 4 million copies this year. That's great compared with older OS/2 versions but pale in comparison with Microsoft's Windows.

Apple Computer's $5.5 billion (Rs 15.4 crore) copyright infringement suit against Microsoft Corp and Hewlett-Packard (HP) took an unexpected turn last fortnight when a federal judge in San Francisco agreed to reconsider his decision to dismiss most of Apple's arguments. Apple filed a suit in 1988 alleging that Microsoft's Windows program and HP's NewWave software violated copyrights of the screen displays of Apple Macintosh PCs. In April judge Vaughn Walker rejected Apple's contention that the overall "look and feel" of the computer displays should be compared in order to determine whether the copyrights have been infringed.

Olivetti, the troubled Italian computer and office equipment group, has announced a larger than expected consolidated loss of 459.8 billion lira (Rs 96.53 crore) for 1991 compared with a 60.4 billion lira profit for 1990, and skipped dividend for the year. Most of the loss comes from restructuring costs as the company tackled what it described as the "most difficult year ever experienced by the information technology industry worldwide."

Like its competitors, Olivetti is restructuring to tackle declining growth in demand for many computer products and fierce competition from rivals.

Kurzweil Reading Machines from Xerox Corp has long helped the blind "read" by scanning books and pronouncing the text out loud. Now, **Xerox Imaging Systems** has adapted the same technology to aid anyone who has trouble reading — for whatever reason. Its BookWise program, running on IBM-compatible PCs, goes beyond the standard Kurzweil setup to show definitions of any word selected. It can also pronounce them one syllable at a time and spell them aloud.

The $8,300 system uses voice synthesis technology to speak in a choice of several distinctive voices. The system is aimed at schools for dyslexic students and those that teach adult literacy and English as a second language.

Medi-Drips is nursing expansion plans.

FLUID GROWTH

He may be unknown, but his product has undoubtedly been well received by the medical fraternity. The impresario is trader-turned-manufacturer M.C. Sharma who made a substantial sum (Rs 5 crore) in oil and oilseeds trade, hotels and transport before diversifying into the manufacture of drips.

Medi-Drips (India), as the company has been named, was set up in Kalyani (48 km from Calcutta) at an investment of Rs 1.5 crore (Rs 70 lakh was Sharma's contribution and Rs 80 lakh bank borrowing). In the 15-month operation ended 1992 the company made a dent in West Bengal, Bihar and Uttar Pradesh and notched up sales of Rs 1.6 crore.

"We wanted to diversify and had approached the West Bengal Industrial Development Corp (WBIDC) which wanted us to take over the sick unit Gloria Chemicals," says Sharma. "In fact, everything was through when the Tatas showed interest and, because we already had a business relationship with the group, we handed it over in favour of the Tatas."

Compensating for this, WBIDC gave Sharma a licence for the manufacture of intravenous fluid. He roped in technocrat S.D. Ghosal (now director of Medi-Drips), who was the architect in setting up IVON Lab, a similar plant. With his help, Sharma was able to complete the project in three years.

Medi-Drips manufactures products like dextrose INJ 5%, normal saline and driplytes of 14 types, all approved by the Drug Control Authority. Another 14 drip types are awaiting approval.



■ **SHARMA:** *No undercutting*

Avers Ghosal: "Our products are well accepted despite competition from renowned players like Wockhardt, Core Parenterals and Albert David, to name a few."

Sharma's plan is to expand capacity to 18,000 bottles of drips per day from the present 9,000. But prior to this he wants to convert Medi-Drips into a limited company by this year-end and thereafter go in for a public issue. Till then he is putting in his own money to fund expansion. Medi-Drips is also putting up a vacuumisation plant.

With the Medi-Drips entry, the old war horses are now sitting up and a marketing war is under way. Discounts are offered so that stockists do not take products of other companies. For Medi- Drips, Sharma explains: "Our product is good and we do not encourage undercutting."

The company has a handicap too. Its contents are in glass bottles while many of its competitors have switched to plastic containers. Though medium density polyethylene is reasonably safe it has some negatives. "For example, the contents are not as clear as in glass bottles and there is a possibility of missing the fungal growth," explains Ghosal.

But even in glass bottles, Medi-Drips has silently captured a small section of the market. Sharma expects to reach a sales figure of Rs 5.5 crore by the middle of 1993. The company has now become eligible to compete for government tenders, where orders are substantial. Sales, which have been in drips, should get a big boost soon.

The Arm group is offering small investors a fair deal.

SHOT IN THE ARM

For the investing community in Calcutta, it's good news. Arm Group Enterprises (AGE), the flagship of the Arm group owned and headed by Mayank Poddar, is shortly opening a share shoppe targeted at small investors. Though the concept is nothing new in the country, it is for the first time that such a shop is being set up in the city. The share shoppe is also expected to cater to the buyers and sellers of odd lots.

Named Fair Deal Securities, the share shoppe will make settlements expeditiously, just as debits and credits of bank accounts are reflected immediately in a pass book. It will cater to the liquidity needs of the walk-in-customer.

According to Poddar, market capitalisation a decade ago was about Rs 15,000 crore. It is more than 10 times that now. The growing middle class has learnt that equity is a sure hedge against inflation. But, unfortunately, they are a deprived lot. Brokers are not interested in this sector as individual trades are small. Even if

they are willing to do business, they extort huge margins in buying and selling besides their brokerage.

"Moreover,the small investor does not get his money when he is in need," says Poddar. "It takes nearly four weeks before the investor is able to encash his scrips."

Can anyone go and sell his scrips at Fair Deal Securities? "No," says Poddar. "He has to first join our investor club and enrol himself by paying a nominal fee annually," he explains. This, he says, has been done so that Fair Deal is aware of the credentials of the persons they deal with.

Franchising plans. Poddar has plans to open a chain of share shoppes in the city and later go in for franchising. AGE will invite proposals from retired people so that they can start business on their own.

The share shoppes will be the public face of the low-profile Arm group which was established in 1978. It was initially into property development and has constructed prestigious commercial complexes in Calcutta from where the Poddars earn a revenue of Rs 2 crore annually.

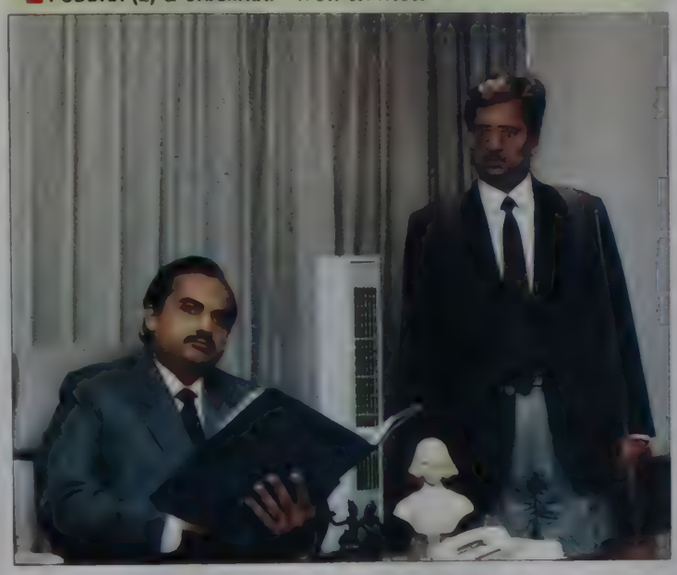
The group subsequently diversified into the manufacture of high-density polyethylene (HDPE) bags by taking over closed sick units in Tamil Nadu, Gujarat and Rajasthan. Recently the group acquired one more unit in Rajasthan at an investment of Rs 1.8 crore.

Says Sanjay Chamria, who is in charge of Arm group's HDPE units: "We are not manufacturers. What we did was to help owners of the units with working capital. The raw material needed for HDPE bags is imported and, with the foreign exchange crunch, these owners were at a loss. We now buy the entire production of HDPE fabrics which we make into bags and supply to the cement and chemical industries."

The Arm group also has a leasing unit styled Magma Leasing which, in a span of three years, has built up a portfolio of Rs 22 crore and has nearly 1,000 customers. It now plans to actively participate in the field of bills and securities market in eastern India.

Does that mean that the Arm group is moving away from property development? To some extent, yes. But Poddar has plans to set up a supermarket with an emphasis on electronic products.

PODDAR (L) & CHAMRIA: *Well-armed*



Since property development is becoming more and more competitive with new entrants and various government restrictions, Poddar is chancing his arm in various sectors. "If things go as planned, the next couple of years could see us reach a turnover of Rs 100 crore," concludes Poddar. The share shoppes should add their share to this success.

Diversification is the buzzword at Guardian Plasticote.

PACKAGING PUNDIT

When the Gujarat Industrial Investment Corp (GIIC) was advertising nationwide the conducive investment climate in Gujarat, one of the endorsees was Adi Godrej. Yet another was Ranjit Sen, executive director of Calcutta-headquartered Guardian Plasticote.

Plasticote what? This is precisely the sort of response that Sen wishes to evoke. "We have always believed in maintaining a very low profile," he says.

But this muted presence in the public mind hasn't prevented the company from emerging at the top of its chosen vocation — making plastic-coated paper used in a variety of articles from soaps and detergents to batteries and ice cream. Guardian Plasticote is the largest manufacturer of polyethylene-coated paper in India, having grossed a turnover of around Rs 16 crore in 1991-92.

In true entrepreneurial style, Sen is now on the threshold of diversifying into allied and not-so-allied fields. First, he wants to tone up the plastic-coated packaging scene and make it more relevant for India. Rues he: "Unfortunately most people in India ape what is popular in the West and then try to apply the same in India; this results in an imbalance as input costs of raw materials specially plastic are much higher in India and in many cases, for example where high barrier films are used, the cost of the packaging is often higher than what is inside."

Sen claims that as of now polyethylene-coated paper is most suited for local conditions but he plans to introduce packaging material of more appropriate specifications. Talks are on with existing foreign partner American National Can (a US giant in packaging material with 1991 turnover of around $5 billion). The estimated cost of the project is Rs 15 crore.

New venture. Secondly, Guardian Plasticote plans to venture into hitech tailormade reactive polymers used in cable, automotive and the electronics industries in collaboration with an unnamed German partner at a cost of Rs 7-8 crore. Lastly are plans to diversify into the not-so-allied line of 'specialised corporate clubs' for

Reap A Fortune In Electronics

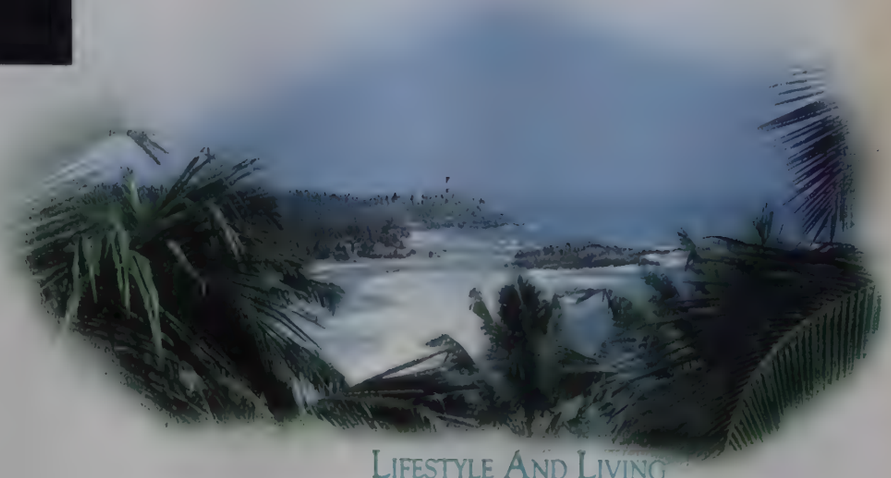


TECHNOPARK

The World's Greenest Electronics Technopolis

IN ASIA'S FINEST MANUFACTURING ENVIRONMENT

"No decision regarding location re-location of an electronics unit would be complete until TECHNOPARK is considered seriously"

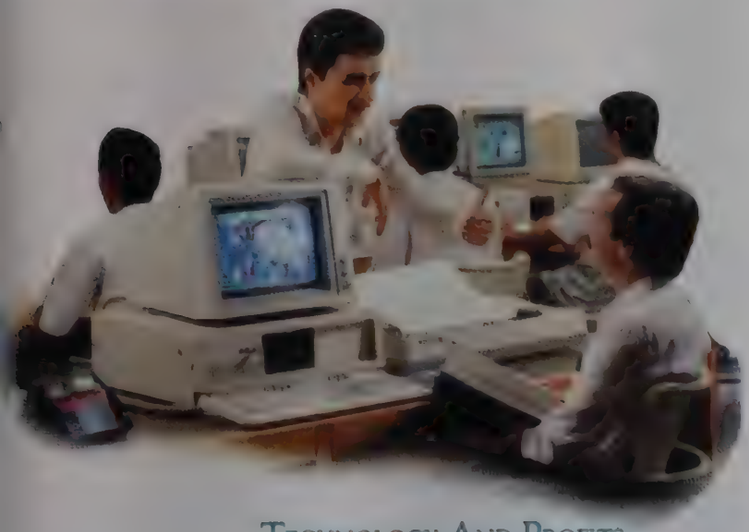


GENIUS AND SKILL

Keralites are 100% literate. 5 Universities and innumerable electronics and computer training centres provide a regular and abundant supply of proficient human resources for the electronics industry.

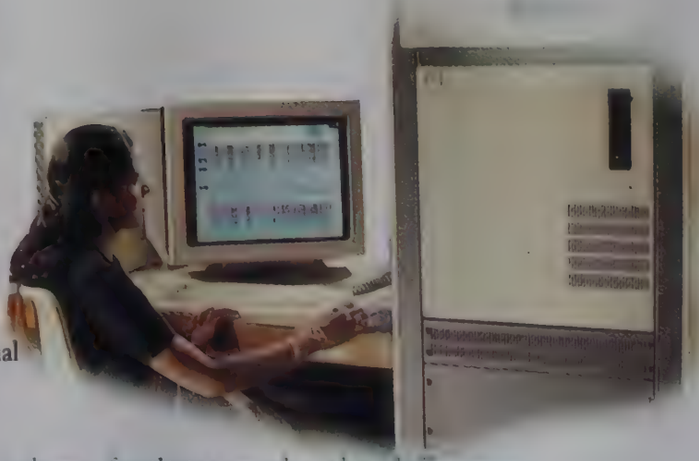
LIFESTYLE AND LIVING

Trivandrum offers a quality of life unmatched by any other location in the region. An abundance of glorious beaches, backwaters, hill-stations alongwith plenty of high-quality schools, colleges, hospitals and well-developed transport, communication and social amenities provide a good lifestyle to the working person.



TECHNOLOGY AND PROFITS

The Electronics Technology Parks Kerala (TECHNOPARK) offers every single resource, infrastructure and facility required by modern electronics manufacturers — within a single, self-contained technopolis. To provide a high profit potential environment.



TECHNOPARK, Kerala — where facilities make the difference

TECHNOPARK is modelled after the leading technology parks of the world, including Silicon Valley. This is India's first and only electronics technology park. In a sprawling campus at Trivandrum. With a comprehensive and internationally-competitive manufacturing environment, including an R & D Incubator ; Callibration, Testing & Standardisation Labs ; Satellite Earth Station ; Central Pilot Production Complex ; Inexpensive Continuous Power. Alongwith common facilities such as banks, post-office, auditoria, conference centres, restaurants, shops, recreation clubs....

All these, supported by very, very pro-active, pro-enterprise policies and attractive incentives, subsidies and tax benefits. Yes, TECHNOPARK is the place to set up your electronics unit. For complete details, contact the Chief Executive Officer.

TECHNOPARK
Electronics Technology Parks — Kerala

Vellayambalam, Trivandrum-695 010 Phone : (91-471) 68110,
Fax : 66537 Telex : 0435-273 KEDC IN

Please send me full details on TECHNOPARK's competitive advantages

Name
Designation
Company/address
Fax
Phone

BW

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'corporate unwinding.'

These will be at a negotiable distance from the existing metros, initially Bombay, where all facilities will be provided for work and play. The estimated cost is Rs 15-20 crore per club.

These plans have only recently been mooted and, according to Sen, will take another three-five years to crystallise. Meanwhile, his existing business too is showing signs of picking up further. This year has been eventful in the sense that the first consignment of exports to Nepal and Bangladesh worth some Rs 1.5 crore was despatched while another batch to some African countries valued at Rs 50 lakh is in the pipeline.



ROY (L) & SEN: *Paving the route to success*

Opines Guardian Plasticote general manager Ashis Roy: "Currently the market size of plastic-coated packaging material is around 30,000 tonnes per annum where we have the largest marketshare of 18%." Though this may not seem very large, Roy need not be unduly worried. There are only a few competitors who use foreign technology and their production is less than half of Guardian's; the rest of the market is serviced by some 20-25 units in the small-scale sector. Incidentally, a closely-held company till now, Guardian is likely to go public by next year. But till then Sen is content where he is — quietly paving his route to success.

Economic growth is the focus of a CII-convened meet.

REFORMS RHETORIC

The opening up of the Indian market has started showing results. For the first time ministers, bureaucrats, representatives of major political parties and industrialists sat under one roof at the Confederation of Indian Industry (CII) national conference in New Delhi to discuss economic growth.

It was an open house as members of parliament (MPs) came up with diverse issues ranging from the lack of industries in Kalahandi to the high imports by Maruti.

It was evident that pushing along reforms needs not just cooperation between industry and the government, but also consensus among the major political parties.

Over the past year CII has held dialogues with MPs from all states except Jammu & Kashmir, Punjab, Himachal Pradesh, Bihar and the north-eastern states. Surprisingly, it held two dialogues each with MPs from Kerala and West Bengal, the two states with a heavy communist leaning. Is it because they feel there is an emerging market in these two states — one with a lack of industry and the other with a surfeit of sick industrial units?

Bharatiya Janata Party (BJP) leader Jaswant Singh supported the reforms saying that it was his party which had come up with the idea of liberalising the economy first. By contrast, the "trickle down" theory (once growth is ensured, benefits will reach the poor) was ridiculed by Homi Daji of the communist party who claimed that once poverty was reduced, the GDP (gross domestic product) would take care of itself.

No more PSUs.

Cabinet secretary Naresh Chandra said categorically that the Centre has decided against setting up any new public sector undertaking (PSU). There will also be no expansion of any existing PSU. He emphasised that the finance ministry was within its rights to turn down requests from other ministries for concessions. "The finance ministry has to mobilise funds for the entire government and not just for the needs of individual ministries," he said.

Minister of state for power and non-conventional energy sources Kalpnath Rai said: "State governments had invited the private sector to set up power plants with an installed capacity of 22,000 Mw.



THE CII CONFERENCE: *Diverse views*

Till now we have received proposals for 9,000 Mw involving an investment of Rs 21,000 crore. Of this half the proposals have come in from foreign investors."

The conference came out with a diverse set of views, but no action plan for pushing along the liberalisation measures set rolling by the government. It remains to be seen how far India moves on the road to a totally open economy. For that one has to, well, wait and watch.

TAXING GIFTS

H.P. RANINA

Under the Gift-Tax Act (GTA), a gift made for the education of children is exempt under s.5(1)(xii) to the extent it is considered reasonable for the purpose of education. It has been recognised in a court of law that any income derived from a gifted asset is not to be taken into account for determining the reasonableness of the gift order to secure the aforesaid exemption.

This point was considered by the Kerala high court in two cases. In *CGT vs P.V. John* (108 *ITR* 225), the assessee gifted immovable properties to his four children Ranjit, Eapen, George and Annie John. The assessee then filed a gift-tax return wherein he showed the valuation of his property at Rs 1,74,080.

Exemption for this entire sum was claimed under s.5(1)(xii) of the GTA on the ground that the gifts were for the purpose of the children's education. The gift-tax officer (GTO) accepted the said purpose, but took into account the income earned from the gifted property while allowing deduction under s.5(1)(xii).

The property gifted to Ranjit yielded an annual income of Rs 1,800. The GTO assessed the number of years needed for Ranjit to complete his education as 14, for which period the income would amount to Rs 25,200. The expenses to be incurred for education were calculated at Rs 50,500. Deducting the income from the property from the estimated figure of expenses, the balance amount of Rs 25,300 was then regarded as deduction under s.5(1)(xii) of the GTA.

Likewise, in the case of Eapen, income from the property during the period of education was fixed at Rs 14,400 and expenses at Rs 42,000. The balance Rs 27,600 was then allowed as deduction.

In the cases of George and Annie John, the entire expenses of Rs 33,500 and Rs 17,000 respectively were allowed as deduction as the property gifted did not yield any income.

In the assessment, the GTO estimated the value of the gift at Rs 2,43,500 and allowed deduction of only Rs 1,03,400, representing the total expenses calculated as allowable. The balance Rs 1,40,100 was taxed.

However, on appeal, the appellate assistant commissioner increased the estimated amount required for education purposes to Rs 1,69,080 and also reduced the valuation. As for the exemption claims, he agreed with the assessee that the income derived from gifted properties was not an element to be taken into account for determining the reasonable amount allowable under s.5(1)(xii).

There was a further appeal by the department to the appellate tribunal which agreed with the assistant commissioner's reasons to allow the claim of the assessee under s.5(1)(xii). The matter was then referred to the Kerala high court.

In the case before the Kerala high court, the assessee's contention was that once the market value of the property was determined, the computation of tax should be made with reference to its market value determined as indicated in s.6. Thereafter no further additions such as income derived from the property were possible or permissible under the provisions of the statute. The court accepted this submission.



For the revenue, it was contented that it was open to the GTO to decide whether the properties of over Rs 1 lakh were necessary to be gifted to serve the educational purpose of the children. The court felt that it seemed odd to give the taxing officer the power to decide the extent of property needed by a ward for educational purposes. It also held that it was difficult for it to lay down guidelines to determine the extent of property which could be said to be reasonable. The court endorsed the tribunal's view that the income could not be taken into account for assessing the gift tax. The court thus ruled in favour of the assessee and against the department.

In the second case before the Kerala high court, *M.K. Stephen vs CGT* (195 *ITR* 192), the assessee gifted 27.75 acres of land to his four children for the purpose of education. Not satisfied with an assessment order dated 19 August 1971, the assessee filed an appeal before the commissioner (appeals).

The commissioner set aside the assessment order and referred the matter to the GTO for fresh assessment. While determining the value of the gifted property, the officer treated the income the donees were receiving as part of the corpus. This order was challenged before the commissioner (appeals). The commissioner allowed the appeal.

However, the revenue challenged this order before the appellate tribunal, which restored the order of the GTO. The point that then arose for consideration was whether the tribunal was justified in holding that the gift was to be determined taking into account the value of the corpus as well as the income from the property.

Subsequently, the Kerala high court held that, in the light of the observations in P.V. John's case, the order of the tribunal to the contrary was not sustainable. The court thus ruled in favour of the assessee.

It may, however, be pointed out that so long as children are minors, any income arising from gifted assets will be clubbed with the income of the parent under s.64 of the Income-Tax Act, even if the value of the gifted assets is exempt under s.5(1)(xii) of the GTA.

Income from property which is gifted cannot be taken into account while calculating gift tax



• *The author is a Bombay-based advocate.*

Thirty plants with technologies from nine countries.



So what?

Multiple technology application – it's a fashionable theme these days.

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So we've been developing cutting edge technologies of our own – for acrylates, reforming, isomerization, acrylamide ... Development anchored by twenty years of unrelenting research. By R&D investments of Rs 70 crores to date, with a further Rs 90 crores slated over the next five years.

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So we were rated the "World's Best Performing Petrochemical Company" by Chemical Insight, London.

So what more?



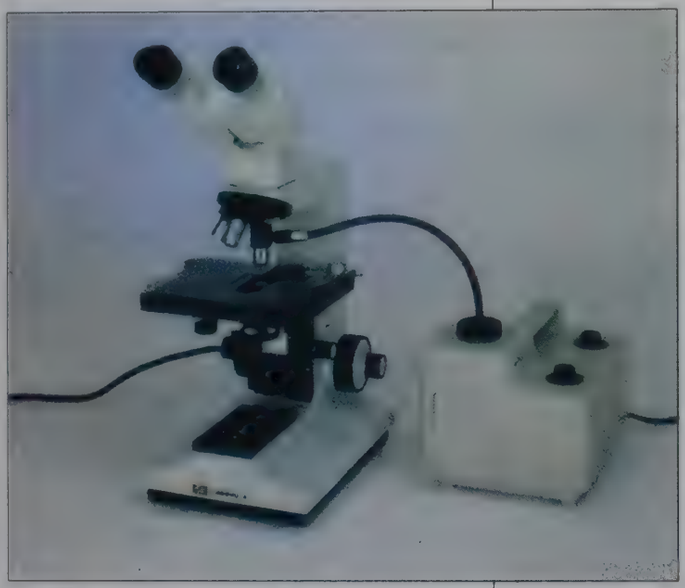
Indian Petrochemicals Corporation Limited

HTA 2861

WHAT A REAL BLUE CHIP OUGHT TO BE

TIEUPS ON OFFER

Almost any conventional microscope can now be upgraded to a fluorescence microscope by the addition of an objective manufactured by British company K.W. Kirk & Sons. Instead of buying an expensive fluorescence instrument, all that is needed is the special lens. The product, called Makler Fluorescence Objective, is particularly useful in those diagnoses, such as malaria, which commonly used fluorescent dyes to reveal the parasite's presence in blood samples.



Offered with magnification factors of 10, 40, 60 and 100, the patented objective screws into the turret, just like any conventional lens, with a standard RMS thread. It can be fitted in seconds. The product will find ready application in medical, research and teaching establishments worldwide. It is already being used in Europe, Asia, Africa and the US.

Contact: K.W. Kirk & Sons, Winship Road, Milton, Cambridge, England CB4 4BD. Tel: 44 223 420102. Fax: 44 223 420175.

Two air samplers designed for the investigation of airborne particles have been introduced by British company Burkard Manufacturing Co. The instruments have applications in medicine, agriculture and industrial hygiene and can also be used by academic and government bodies concerned with atmospheric pollution. Both samplers employ a precision-designed air cyclone which causes minimal pressure drop and can be used for longer periods.

Contact: Burkard Manufacturing Co, Woodcock Hill Industrial Estate, Rickmansworth, Hertfordshire, England WD3 1PJ. Tel: 44 923 773134. Fax: 44 923 774790.

A British company has developed a range of pin-to-pin electrical connectors designed to make possible the repeated connection and disconnection of electrical services under water and in other adverse environments.

The Mini CE range from Tronic Electronic Services features a field-installable gland seal and dual redundancy in all critical areas. The connectors are available in 3-, 4- and 12-contact versions, each with a continuous rating of 10 amperes at 1,000 volts, and are appropriate for use even where extended periods of immersion are required. An important feature of the units is the relatively low force required for connection and disconnection. Coupled with their small size, this makes them particularly suitable for use in areas where there is limited access and where multiple subsea connections and disconnections have to be made.

Contact: Tronic Electronic Services, Sandside Road, Ulverston, Cumbria, England LA12 9EF. Tel: 44 229 580500. Fax: 44 229 56604.

French company Comptoir Industriel des Metaux et Plastiques (CIMP) has developed and perfected a new process for recycling used tyres by transforming them into a purified rubber powder that can be put into a large number of applications.

The CIMP method uses only mechanical procedures to shred and separate the tyres. This is quite unlike other methods that use cryogenic systems involving liquid nitrogen. As a result, little powder is required, while production and maintenance costs are kept low. Profitability is further assured by the resale of the powder produced. The process is completely pollution-free.

Contact: CIMP, BP 255, Mermont 60802, Crepy-en-Valois, France. Tel: (33)44591486. Fax: (33)44591365.

Oakprime International of the UK has entered the soya bean processing industry with new state-of-the-art technology for the production of soya milk, to be licensed worldwide under the name of the "Pamona Process."

The new process offers a product which does not have the beany taste or smell usually associated with soya milk. The essential difference between the Pamona Process and others is that it utilises the natural process in soya beans to enhance the flavour of the end product. Methods used previously were engineering-based.

Contact: Oakprime International, 5th Floor, 86 Hatton Garden, London ECIN 8QQ. Tel: 44 71 8317755. Fax: 44 71 8318253.

French company Alcatel Cable has recently developed a new electromagnetic shielding meter. Known by the French acronym Mabe, the meter can be used to qualify electromagnetic shieldings in accordance with GAM-T-20 and MIL-STD-285 standards. It can locate defects in shielding rooms and be used in compliance with any other standard in the 1 KHz and 1 GHz frequency range.

This unusual portable meter is completely self-contained and protected from electromagnetic interference. It can carry out tests in the difficult operating conditions encountered when maintenance is being performed in shielded rooms. Mabe consists of a set of sensors: a loop, rod antennae, dipoles, coaxial shielded cables, tripods and dipole mounting supports.

Contact: Alcatel Cable, Departement Haute Frequence et Electronique, 35 rue Jean Jaures, BP 20-95871, Bezons Cedex, France. Tel: (33)(1)34236200. Fax:(33)(1)30760321.

NEW STEAMTRAP

Ogontz Corp of Pennsylvania, US, has developed the ogontz pinch trap (OPT), a new type of thermostatic device that has only one moving part and no seats or plugs which can get soiled. The key to the device is a patented automatic variable orifice (AVO) that operates like a pinch valve, squeezing off the straight-through flowpath to contain steam.

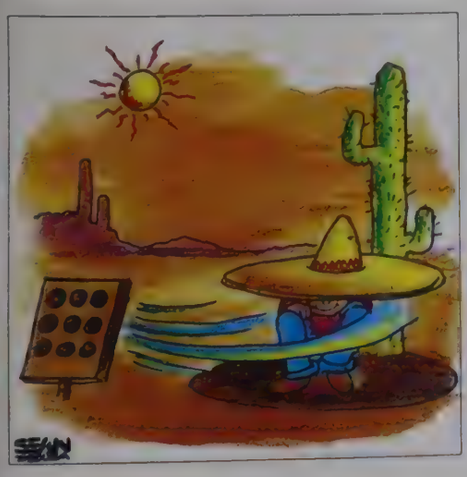
AVO is a flexible, cylindrical membrane made of a chemically-resistant elastomer. A hydrocarbon wax behind the membrane senses the temperature of the approaching fluid. Hot steam (and the warmer condensate just before it) melts and expands the wax, which causes the membrane to pinch the flowpath while the cooler condensate causes the wax to contract, opening the orifice. The company maintains that the elastomer will squeeze around any dirt in the trap and seal without leakage. In tests the OPT has surpassed 10,000 cycles before showing any wear.

FAT REPLACER

Pectins, natural hydrocolloids found in many plants, are now being used by a US company to produce a substance called Slendid which is capable of replacing up to 100% of fats in a variety of processed foods. Slendid ordinarily contains no calories. It is a speciality proprietary pectin derived from citrus peel and standardised by the addition of sucrose. Slendid forms a gel when mixed with water and a small amount of gelling agent such as calcium chloride. The gel's texture makes it suitable for replacing emulsified fats common in processed foods. For instance, when Slendid was used as a fat substitute, a lunch consisting of salad, cream of white mushroom soup, cold packed salmon with mayonnaise and cheese cake contained only 502 calories as against the normal 1,273 calories.

SOLAR AIR-CONDITIONER

Sanyo Electric of Japan has developed a solar-powered air-conditioner which consists of a five sq m photovoltaic array generating a peak power of 500 watts, an outdoor unit which contains the compressor, a condenser and power converter and a slim wall-mounted indoor evaporator unit.



Approximately 50% of the power required to operate the air-conditioner can be generated by the system's solar panel on a sunny day. In cloudy weather there is less power generation, but then demand is also low. The new air-conditioner draws 900 watts or more as it brings the air-conditioned space up to the desired temperature. But it requires as little as 300 watts to maintain the temperature once reached — well within the rated output of the solar panel, allowing 100% solar power generation.

DIESEL FROM NATURAL GAS

A process which enables high-grade diesel oil to be produced from natural gas is being developed by Statoil in Trondheim, Norway. It's a low-cost method that produces naphtha in addition to diesel oil. The product is sulphur- and aromatic-free and releases reduced amounts of carbon dioxide.



The Statoil project is still in the research stage. But it could prove to be a big boon — supplementing the world's fast-depleting oil supply with an additional source. A large-scale experimental facility for the conversion process is under way.

ETHANOL FROM WASTE

A new process that converts wood and paper in municipal solid waste into ethanol has been developed by Irving Goldstein, a professor of wood and paper science at North Carolina State University in Raleigh, US. In the first stage, cellulose and concentrated hydrochloric acid (HCL) are agitated in a reactor at 50°C. Since the cellulose hydrolyses into simple sugars in 10-15 minutes, it is possible to process the cellulose continuously rather than in batches as in other processes.

After hydrolysis, the excess HCL is recovered, using an electrodialysis process. In this method, an electrical current is used as the driving force to remove the acid from the sugars through a permeable membrane. The electrically enhanced dialysis has been optimised to recover 90% of the acid at 16 times the rate of conventional diffusion dialysis. The remaining solution contains 50-60% glucose and is ideal for use in ethanol fermentation designed for molasses or grain feedstock.

PRESSURE-SENSITIVE PAINT

A joint effort by the National Aeronautics & Space Administration (Nasa) and the chemistry department of the University of Washington at Seattle has led to the development of a pressure-sensitive paint. The paint offers a flexible and inexpensive method for continuous mapping of surface pressure on airplanes and other aerodynamic surfaces. It is based on the use of platinum octaethylpor-

phyrin (PtOEP) dissolved in a silicose resin polymer matrix. Porphyrines are macroelectric tetrapyrole structures some of which luminesce when exposed to specific light frequencies. When quenched by oxygen, PtOEP shows strong phosphoresence. After application to an aerodynamic surface and placement in a wind tunnel under ultraviolet irradiation, the molecules luminesce in inverse proportion to the local pressure of oxygen during aerodynamic flow. The resulting image is bright red in areas of low pressure and dimmer in areas of high pressure.

SOFT-STARTING MOTORS

The research laboratories of Tasc Drives, in Suffolk, UK, have developed an electronic soft-start technique called Softron. They have done considerable research on problems associated with motor starting techniques.

Softron is a solid-state soft-start controller for standard three-phase induction motors. It operates by controlling the conduction phase of three sets of inverse-connected parallel thyristors connected to a normal three-phase supply and to the motor being controlled. The effective magnitude of the current actually supplied to the motor at any given time is controlled by varying the conduction phase of the thyristors during each sinewave period. Current sensing is used to detect overload and as a feedback signal to ensure stable operation of two alternative starting methods offered on the Softron starter — current ramp and current limit.

In the current ramp starting mode, the user is able to pre-select the acceleration ramp time (from zero to full motor speed), from one to 30 seconds. In the current limit mode, the user simply presets the desired maximum starting current absorbed by the motor. The user can also set the initial starting torque from 10% of maximum up to the maximum rated value.

INSTANT BLOOD TEST

The Princeton-based i-STAT Corp in the US has developed a pocket-sized blood analyser that produces results in just 90 seconds. The device relies on microchip biosensors to detect the conditions that reveal ailments such as anaemia and diabetes. As a bonus, the analyser requires just a pin prick rather than a test tube sample of blood. The process is quite simple: two drops of blood are placed in a microchip cartridge that is inserted into the hand-held analyser. Membrane-tip sensors measure electrical potential, conductivity or resistance in the sample.



The readings indicate the levels of blood sugar, nitrogen, red blood cells and common electrolytes such as potassium. At present the tests cost far more than the slower laboratory tests. However, the company is confident that the device will be lapped up by hospitals eager to ensure, quick and efficient diagnosis.

FLEXIBLE CONCRETE

Mixing carbon fibres into concrete makes it tough and flexible but the practice generally requires an expensive mixing process and large volumes of carbon fibres. However, Deborah Chung, a professor of mechanical engineering at the University of New York, has developed a way to make fibre-reinforced concrete using one-tenth the fibres previously required. Also, the fibres she uses are made from pitch, the cheapest available material. Chung uses inexpensive chemical additives to disperse the fibres in the concrete, making mixing simpler and causing them to bond more firmly to the concrete. This process gives the concrete 200% greater ability to withstand repeated bending and temperature extremes.



SEMICONDUCTORS FROM YEAST

Researchers from the Advanced Centre for Biochemical Engineering at the University College, London, have succeeded in making tiny semiconductor structures from cultures of yeast called schizosaccharomyces pombe. The yeast produces structures known as quantum semiconductors. They are bits of semiconductor so small that the electronic properties of the material are affected by the close proximity of the edges. Researchers can tailor the shape and size of structures to give them properties that bigger pieces of the same material do not have.

Quantum semiconductors can be made to behave like lasers and emit light known as waveguides. Such structures will be important in optical computers that use light rather than electrons. The problem, however, is that the structures need to be so small that conventional manufacturing techniques are often stretched to their limits.

Researchers Paul Williams and Eli Keshavarz-Moore make the structures by adding cadmium sulphate to the yeast culture. The yeast protects itself against the toxic cadmium by coating the compound with a shield of peptides. In the process, the yeast converts the compound into tiny particles of cadmium sulphide. These particles, each about 1.8 nanometres in diameter are very uniform in size, compared to particles produced by chemical or synthetic means.

IN INVESTORS' INTEREST

Remember the Tata Timken issue? Sometime in the middle of last year, this attractive issue caught investors' fancy. Grossly underpriced and backed by two solid promoters, it was oversubscribed 4,000 times. That may well prove to be the zenith (or the nadir, depending on how one looks at it) of the new issue mania.

Currently, new issue hunting means long hours in serpentine queues and heavy odds of not hitting the jackpot. But everything is not so benign. It is the darker underside of the new issue animal that the small investor should really be concerned about.

It is precisely for this reason that the Securities & Exchange Board of India (Sebi) has overseen the introduction of a new instrument in the capital market — stockinvest. Originally suggested by the G.S. Patel committee on stockmarket reform in 1985, the idea was converted into reality by Sebi early this year. At that time, Sebi chairman G.V. Ramakrishna had noted that because of this new instrument, the monies of investors who do not get subscriptions to new issues will not be unnecessarily inactive and not earn any interest.



Besides this, stockinvest will also help put a stop to the notorious practice of promoters and banks of playing around with this float money for their own profit. (Say, a company's Rs 50 crore issue is oversubscribed 4 times. That gives the promoters and the bank Rs 200 crore of low-interest cash. And, in case of the more devious, if this money is not refunded on time, it comes cost-free. Not bad, when the base lending rate is 16%!)

So what is stockinvest? It is essentially a cheque guaranteed by a bank which is issued in lieu of cash, ordinary cheque or draft. Used when an investor applies for a new issue, it ensures that his application money remains in his blocked deposit account till allotment. Till then the investor continues earning interest on his money. (Given that currently deposit rates vary between 12% and 13%, the interest earned till allotment could prove substantial.) And in case no allotment is made, no money flows out of the account.

Currently the stockinvest bandwagon is growing (see box). Yet, few investors are actually aware of how stockinvest functions. Here's what one should do:

- Initially, open a savings, term or current account with a bank offering stockinvest facilities.
- Make an application to the bank to issue stockinvest certificates in convenient denominations.
- The bank will then sign the certificate and affix the dates of issue and expiry (normally after 6 months). The amount of stockinvest issued will then be transferred to a separate account which yields a fixed deposit interest rate.
- When applying for a new issue the investor has to write the name of the issue, number of shares or debentures applied for on the stockinvest certificate and then send it in with the issue application form.
- On allotment, the bank will debit the relevant amount to the deposit account and pay the company.
- In case of non-allotment, the bank will unfreeze the money in the account and the depositor can then operate the account like any other normal one.

Apart from protecting the interests of small investors, stockinvest can prove beneficial to the banking sector

Benefits to banks. Though only a few banks currently offer stockinvest facilities, the number is expected to grow soon. Of course, it is not just a question of altruism and protecting investors' interests. There could be more to the story.

According to a senior State Bank of India official, stockinvest money could prove to be a helpful factor for the banking sector which has been facing declining deposit growth rates over the years. This argument is simple. Over the past 12 months, an estimated Rs 10,000 crore-plus was raised from the primary market. Assuming a conservative oversubscription factor of two, that means a potential Rs 20,000 crore of stockinvest deposits. No piffling amount, especially when lending spreads are in the range of 6-10%. "Do you think that the foreign banks would have entered this segment, branded their products and advertised heavily without the prospect of big money?" he asks rhetorically.

He has a point. Yet, stockinvest has to be welcomed essentially for its basic objective, which is protecting the interests of the small investor. And that is no new issue.

STOCKINVESTING BANKS
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DIAMOND SCRIPS: LOOKING UP

RAAMDEO AGARWAL



Investors in the stockmarket have been thoroughly shaken by the recent securities scandal. Though the index might have shown a loss of around 1,000 points or roughly 25%, in reality, the loss in terms of an individual's portfolio has been far more severe. Those who joined the game after the budget will have unpleasantly found themselves in the red.

It was the mindless pumping in of money into index-sensitive counters and the prospect of making a fast buck that magnified the boom. But what now? Though at present the market is leaderless, control will probably come to rest in the hands of the more conservative mutual fund investor in the days to come.

The market's price-earning (P/E) ratio, at 43 a fortnight ago, is still quite high and still highly influenced by the Tisco and Reliance counters. However, the current year's average 20% growth in earnings and another 10% decline in the index should bring the average P/E down to around 30. Moreover, the prediction of a below normal monsoon and, more important, the flood of quality new issues that will hit the market by September-October will lead to a scramble for funds that will also bring the markets down to a more realistic level.

So what should one's strategy be in this post-crash era? One can still look for opportunities in the secondary market though it is the primary market which is likely to hold all the excitement. One industry that is most likely to bring that sparkle back into investors' eyes is diamonds.

After its aggressive export performance brought it into the limelight in the eighties, the diamond industry has, in the past three years, lost a lot of its glitter. This is mainly due to the recession that major consumers like the US, Japan and Europe are passing through. Now, however, things are looking up a bit. There have been signs of a slight improvement in US economy in the past six months.

But if the international scenario was depressing, events back home have compensated a bit. The more than 50% devaluation in the rupee and the free convertability of 60% of foreign exchange earnings have helped the industry realise a bonanza on its dollar-denominated assets like debtors, stocks in process and unsold finished goods.

Though the industry is highly import-intensive, (all its raw materials are imported), it is also fully export-oriented, with 30% value addition.



DIAMONDS: *Good prospects*

Gross margin, which was down to 6% in 1990-91, shot up to 11% in the first half of 1991-92 and is likely to be even better in the future as the major value addition expense, that is labour, is paid in rupees. Though a lot depends on the revival of the Japanese economy, it is expected to do better in the next two years.

Industry watchers are predicting the onset of a boom from 1993-94. And another encouraging sign is the industry's P/E ratio which is just around 8. Let's take a look at the most promising scrips.

Su-Raj Diamonds. Promoted by Jatin Mehta, it is the biggest diamond company and the first to go public. It is expected to post a turnover of around Rs 170 crore in the year just ended. Currently available at a P/E of 9, Su-Raj's earning per share (EPS) is around Rs 17. With a book value of Rs 60 per share, stable earnings and a promising future, the management (which uses a lot of borrowed funds to finance its high working capital base), is likely to be prompted to tap the capital market with a high premium issue. But, before this, they are likely to reward shareholders with a liberal bonus.

Classic Diamonds. Another diamond company affiliated with Jatin Mehta. Its performance has also been equally good. The expected EPS is Rs 20, on a small equity base of Rs 3.5 crore.

Shrenuj Diamonds. Managed by K.K. Doshi, the company enjoys a very good market reputation. The completion of an ongoing jewellery project should improve margins, which are already among the highest in the industry. A good buy at Rs 100.

The scrapping of the Gold Control Act, partial rupee convertibility and the easing of import restrictions have brought new promise to this industry. That's enough to make diamonds an investment of the first water.

• *The author is a Bombay-based investment consultant.*

TWO LONG-TERM PICKS

CLIFTON DESILVA



Promoted by the Bhilwara group and Pechiney Ugine of France, Hindustan Electro Graphites (HEG) was spawned in the late-seventies for the manufacture of graphite electrodes. However, over the years, HEG has hit the diversification trail and has ventured into the areas of cotton hosiery yarn, construction and oil drilling.

HEG has two textile units — at Jammu and Rishabhdev. The former unit is primarily engaged in exporting yarn. For the year to March 1991, exports from there amounted to Rs 6.93 crore which constituted 85% of the total turnover of the unit. The unit value realisation of the yarn is one of the highest in the country. The unit's capacity is now being expanded with the addition of 6,912 spindles.

Bhilwara Viking Petroleum, an HEG subsidiary, was merged with the company with retrospective effect from 25 September 1989. This company was involved in the setting up of land rigs for the Oil & Natural Gas Commission.

HEG's construction division which was recently kicked off has not yet produced the desired results. The company has, of late, also entered the field of sponge iron. It signed an agreement with Sponge Iron India, a government of India undertaking for installing a 60,000-tonne capacity plant in the Durg district of Madhya Pradesh. Thanks to the foreign exchange crisis, sponge iron production has assumed great importance in the Indian context. The electric arc furnace industry is presently in the doldrums due to the non-availability of imported scrap; hence indigenous sponge iron is emerging as an alternative for the electric arc furnace industry. Also, as a possible forward integration, HEG is considering setting up a steel plant in Madhya Pradesh.

To part-finance the sponge iron project, HEG recently issued 1,84,325 12.5% fully-convertible debentures (FCDs) of Rs 200 each aggregating Rs 3.68 crore on a rights basis and 1,87,500 12.5% FCDs of Rs 200 each aggregating Rs 3.75 crore to the public. After retaining the 15% excess subscription, the amount available to the company was Rs 8.81 crore. The debentures are fully convertible after six months at a premium of Rs 30 per share, thereby increasing the equity to Rs 9.35 crore.

HEG is all set to become a well-diversified company and will not be held hostage to the precarious business cycles of a single industry. Another notable feature is that compared to its diversified base, HEG's equity capital at Rs 9.35 crore is relatively small.

HEG's diversification sorties are likely to bear fruit in the coming years. Already the company has done well for the six months ended September 1991. Net profit at Rs 4 crore translates into an earning per share (EPS) of Rs 4.28 on the expanded capital base of Rs 9.35 crore. Currently priced at around Rs 125, HEG appears a good long-term investment at declines.

Two attractive long-term scrips worth picking up are HEG and Premier Housing

The housing industry has been going great guns over the past couple of years and is expected to witness even further growth in the years to come. The industry which was hitherto dominated by the small players is now undergoing a sea change with a host of reputed companies entering this arena. Investor perception too has taken a turn for the better as a result of which stock exchange-listed companies are being discounted better.

A Madras-based outfit is one such company that is appreciating on the bourses as the days go by. Set up in 1988, it has been consistently performing well and the mangement is sanguine about the long-term. The shares which were going abegging at around Rs 10 after the public issue are now being sought after at around Rs 55.

It may be recalled that the shares of Premier Housing were recommended in this column in the issue dated 1-14 January 1992 at Rs 25 and a 50% appreciation in a year's time was projected. Instead, the scrip has belied expectations by appreciating 120% in less than six months. The management has also hiked dividend by 33% to 20% for March 1992 from 15% the previous year.

The dividend hike is consequent to the good performance for the year ended March 1992 as well as the promising future the company has ahead of it. Net profit for the year to March 1992 has shown a steep rise to Rs 1.27 crore compared to Rs 66 lakh the previous year.

Premier Housing is now in the process of implementing its projects at Madras and Bangalore which should ensure business for the next two years. To finance a part of these projects, the company is planning a rights issue in a 1:1 ratio at a premium of Rs 30 per share. The premium will help the company substantially lighten its interest burden. The management is hopeful of recording an EPS of Rs 7 for the year to March 1993.

The future earnings coupled with the growth potential make the Premier Housing scrip an attractive long-term bet at the current quote of Rs 55.

• *The author is a Bombay-based investment manager.*

AN INVESTOR-FRIENDLY SCHEME

M. D. MUKHI

Unit Trust of India (UTI) has launched the growing monthly income scheme (GMIS-92) to provide a regular income to the much-harried middle-class investor who has to cope up with a lot of inflationary pressures. The scheme, which remains open till 15 June 1992, is for a period of five years and terminates on 1 July 1997. GMIS-92 also provides for a cumulative option for those preferring a lumpsum amount at a later date, rather than a regular income now.

Under the monthly income option (option A), investors will get a dividend of 14.5% per annum (pa) for the first three years and 15% pa in the last two years. Post-dated monthly cheques will be sent in advance. In addition, there will be minimum 2% capital appreciation on maturity.

Under the cumulative growth option (option B), the original investment more than doubles in five years, and every Rs 1,000 invested will become Rs 2,100. Moreover, there is some scope for capital appreciation on termination of the scheme. Applicants must indicate their choice of option while joining the scheme. However, once exercised, it cannot be changed at a later date.

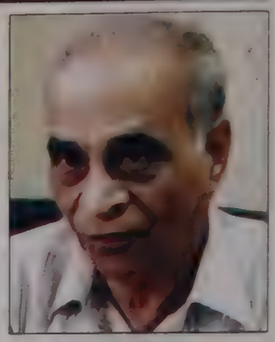
GMIS units will have a face value of Rs 10 each. Applications have to be in multiples of 10 units subject to a minimum of Rs 5,000 under option A and Rs 1,000 under option B. There is no maximum limit.

Those eligible for the scheme are:

- Resident individuals, singly or jointly, or on behalf of minors or mentally-handicapped persons;
- Bodies corporate (excluding companies);
- Charitable or religious trusts or endowments;
- Registered societies (including registered cooperative societies), private trusts; and
- Hindu undivided families (HUFs).

Partnership firms and non-resident Indians, without prior Reserve Bank of India approval, are not eligible. Nomination facility is available to individual applicants and even minors can be designated as nominees; but joint applications on behalf of minors are not allowed. Though subscribers have the right to change nominees, persons applying on behalf of minors or for the benefit of mentally-handicapped persons cannot nominate. If the nominee is a minor, the full name and address of the guardian must be given in the application form. Transfer is allowed only under option B. However, units issued under option A can be pledged by the investors with banks.

Though the GMIS units are issued for a period of five years, investors can avail of a premature purchase facility after three years. Under option A, the units will be repurchased at the face value of Rs 10 per unit. Under option B, repurchase will be done at the prevailing repurchase price (which will be declared on a regular basis by UTI). The partial repurchase of units will be allowed only under option B. In the event of a unit holder's death during the currency of the scheme, the nominee or legal representative will have the option of being paid against the units held at the prevailing repurchase price or continuing in the scheme.



Investors are entitled to the following multiple tax concessions:

- For individual investors, there will be no deduction of tax at source.
- Income and capital gains from units will be subject to prevailing tax laws.
- Under s.5 of the Wealth Tax Act (WTA) 1957, investment in units under all UTI schemes (including GMIS) qualifies for wealth tax exemption up to Rs 5 lakh together with certain other specified categories of investment.
- Units are approved securities under s.11(2)(b)(ii) of the Income Tax Act (ITA) 1961. Eligible institutions/bodies corporate investing in units will, therefore, qualify for necessary tax exemption in respect of income and corpus under s.11 and s.13 of the ITA. No deduction of tax will be made for institutions under s.11, s.12, s.10(22), s.10(22A), s.10(23), s.10(23AA) or s.10(23C) of the ITA 1961. However, other institutions/bodies corporate/HUFs desiring receipt of income without deduction of tax at source are required to obtain a certificate of non-deduction under the second proviso to s.194 of the ITA and submit the same along with the application, failing which UTI will deduct tax at source.

GMIS is a unique scheme with several investor-friendly features. It has been well-designed to fulfil the varying needs of investors — either long-term or for a regular monthly income.

• The author is a Bombay-based investment consultant

IN A NUTSHELL

Scheme: UTI's growing monthly income scheme (GMIS-92) is a close-ended five-year scheme, open till 15 June 1992. GMIS provides two options: Option A: regular monthly income of 14.5% per annum (pa) for the first three years and 15% for the last two years, with minimum 2% capital appreciation on maturity. Option B: invested amount more than doubles in five years.
Face value: Rs 10 per unit.
Maturity: Five years.
Minimum & maximum amounts investible: In multiples of 10 units. Minimum Rs 5,000 under option A and Rs 1,000 under option B. There is no upper limit. Cheques to be drawn in favour of "Unit Trust of India — GMIS-92."
Eligibility: (1) Resident adult individuals; (2) minors; (3) persons investing for the benefit of mentally-handicapped individuals; (4) HUFs; (5) charitable and religious trusts or endowments; (6) registered societies (excluding cooperative societies); and (7) bodies corporate (excluding companies).
Liquidity: Repurchase facility available after three years. Transfer allowed under option B only.
Tax benefits: (1) No deduction of tax at source for individuals; (2) income and capital gains subject to prevailing tax laws; (3) wealth tax exemption up to Rs 5 lakh under s.5 of the Wealth Tax Act 1957; and (4) tax exemption of income and corpus of eligible institutions under s.11 and s.13 of the Income Tax Act 1961.
Other features: (1) Nomination facility available; (2) applications made before the 15th of a month are eligible for the entire month's dividend.

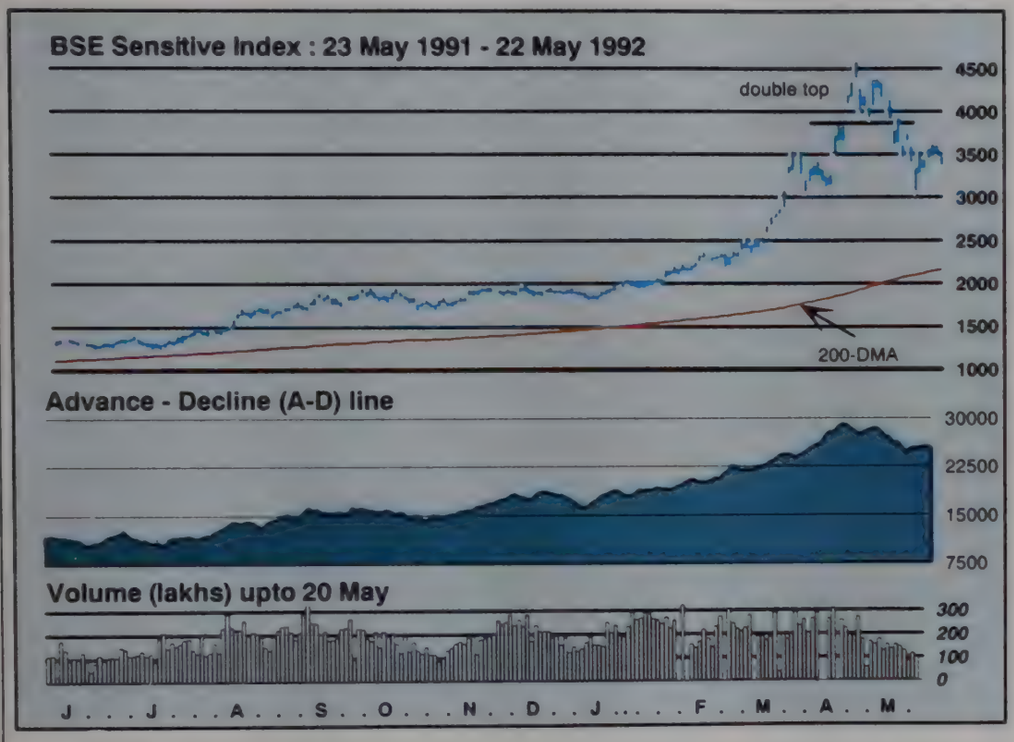
A MIXED OUTLOOK

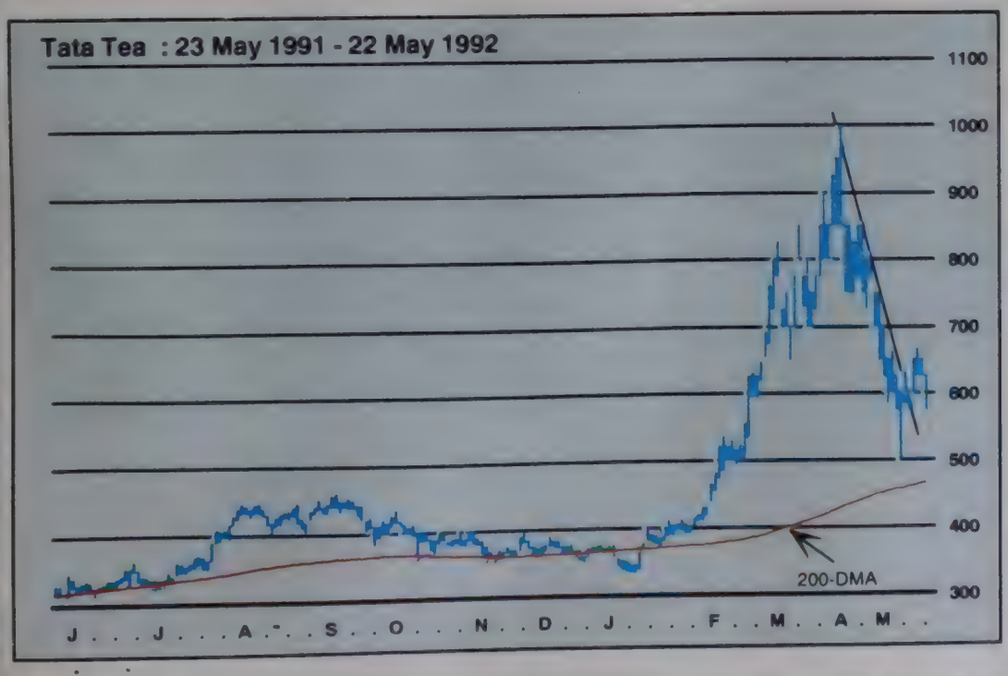
DEEPAK MOHONI



Though the stockmarket continued to operate under the shadow of the so-called bank scam during the trading fortnight under review (11-22 May) it managed to stay open for trading with only two unscheduled breaks. The market started off with crashes of 238 and 334 points bringing the Bombay stock exchange sensitive index (BSE Sensex) down to a historical support level in the 3,100-3,200 points range. The fall evoked the usual reaction from the BSE authorities - imposition of trading restrictions. Short-sales were banned. The inevitable bout of short covering that followed immediately pushed the index up by 345 points.

In the second week of the fortnight, a 113-point rise and subsequently a 124-point fall suggests that three-figure changes in the index may stay with us for a while. Eventually, the Sensex dropped 232.93 points (6.37%) from 3,658.00 on 7 May to 3,425.07 on 22 May, while the national index (NI) fell 131.04 points (8.05%) from 1,626.92 to 1495.88 in the same period.





The double top chart pattern identified in the last issue had suggested minimum downside targets of 3,658 or 3,474 for the Sensex depending on whether closing or intra-day values were considered. As the sensex dropped below these levels, the expectations of the pattern have been met, and the time has come to look for other possibilities.

The Sensex has established support for itself at about 3,100. The index had stopped declining at intra-day lows of 3,069.49 on 11 March, at 3,126.45 exactly a week later and at 3,080.43 on 12 May. The NI has a corresponding support at about 1,400.

On the flip side, the Sensex faces resistance at about 3,550. The index had reversed at 3,547.61 on 9 March and at 3,574.92 on 19 May.

This gives rise to a few possibilities. If the index clears the resistance, it has a decent chance of getting to at least 3,900, which is another resistance level. The second possibility is that it could continue to float between 3,100 and 3,550, forming a rectangle or a "Dow Line." This possibility is borne out by the low volumes that accompany trading these days.

The third possibility is one for the bears. A fall below 3,100 would complete a head-and-shoulders formation with a neckline at 3,100, shoulder tops at 3,500, and two heads at about 4,500. Based on the closing values, this formation would suggest a fall to 1,789 or lower, and to 1,592 on intra-day figures. There is no cause for alarm just now, as the index must close below 3,100 with a 3% confirmation for such a formation to be valid. This, however, makes the

3,100 support very critical at this stage.

A fall below 3,100 would send a very large percentage of stocks below their 200-day moving averages (200-DMAs), possibly resulting in a change in the long-term trend of the market. As almost every stock was above a rising 200-DMA quite recently, it would seem likelier that the support at 3,100 would hold out. The 200-DMA of the Sensex is 2,165.28, and that for the NI 1,008.83.

Going by the assumption that the market's decline is largely over, most stocks should be poised to improve. The potential gains in the "B" group are also quite high, as this section was hit harder by the decline.

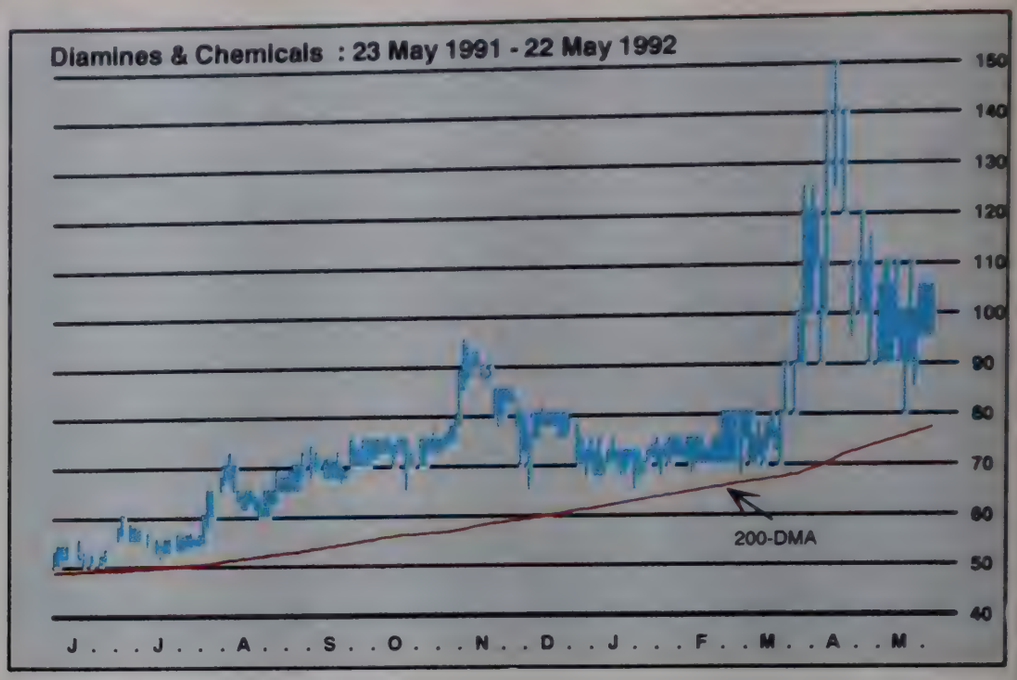
In the "A" group, **Tata Tea** has been leading the market recently. It peaked at 950 (closing) on 31 March, while the Sensex hit its top of 4,467.32 on 22 April, by which time Tata Tea was down to 800. The stock has now become among the first in the "A" group to break through a descending trendline and execute a pullback towards it. After recording a low of 530 on 12 May, the stock has started moving away from its 200-DMA, suggesting a rally ahead. Its 200-DMA stood at 464.64 on 22 May.

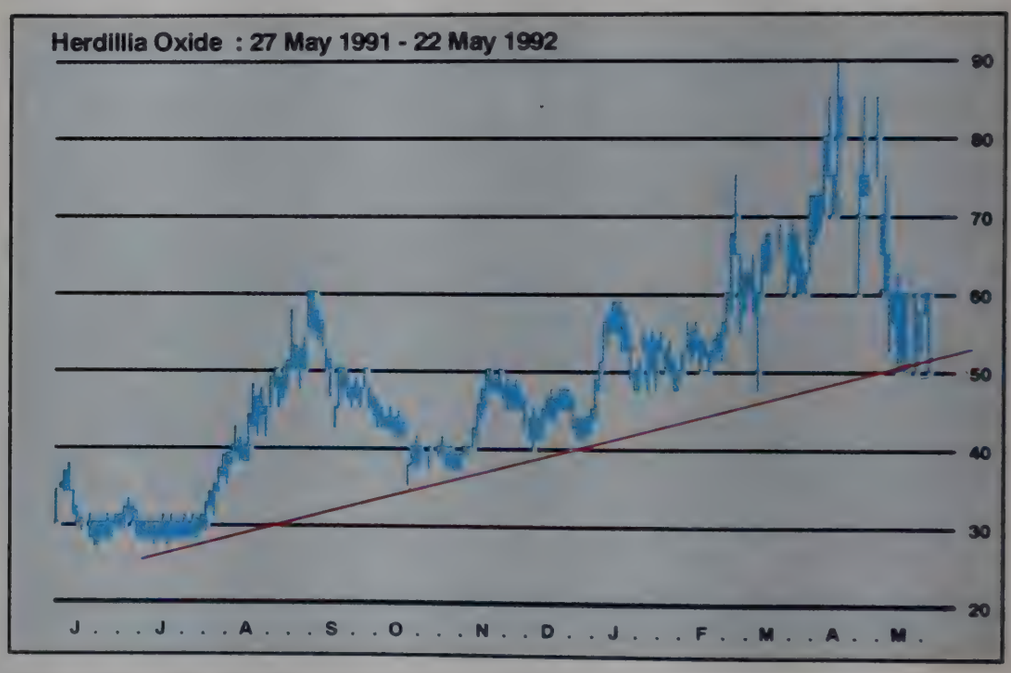
In the "B" group three low-priced stocks with potential for appreciation have been considered. **Diamines & Chemicals** dropped from an intra-day and closing peak of 150 to an intra-day low of 80, which was almost at its 200-DMA at that time. It has since started pulling away from its long-term moving average, suggesting an improvement ahead. The stock's 200-DMA is 77.23.

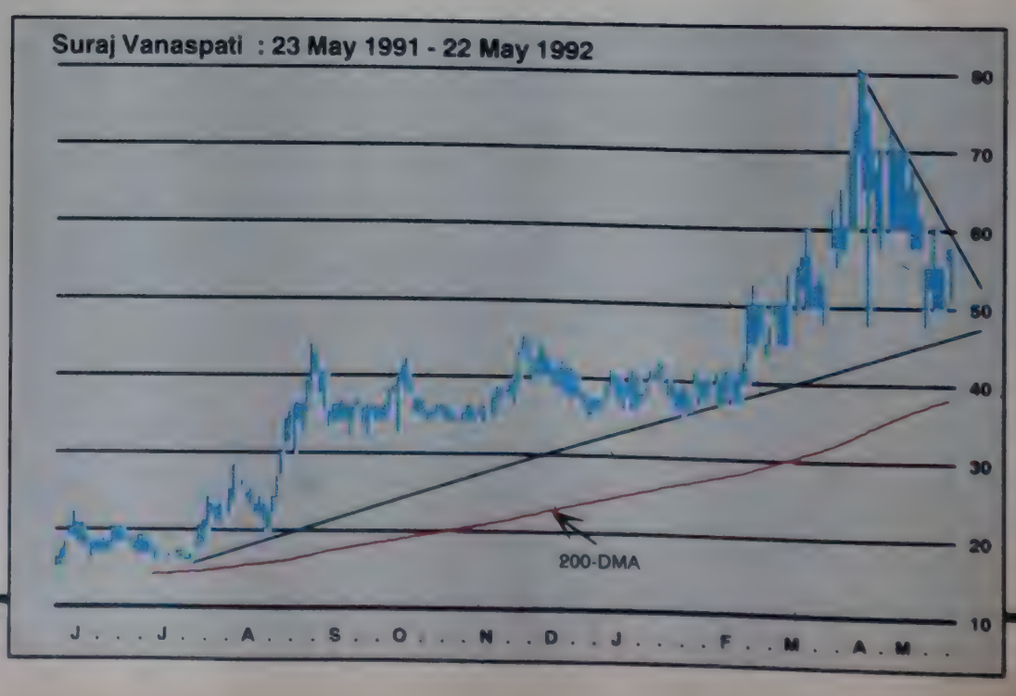
Herdillia Oxide was traded for exactly 202 days, giving it a three-day history of 200-DMAs. At its 22 May close of 55, it was just above its 200-DMA of 49.36, making a rally from this level likely for the same reason as Tata Tea and Diamines & Chemicals.

Suraj Vanaspati is still declining towards its 200-DMA, and a long-term trendline, as well. The stock, with a 200-DMA of 38.13 may be kept on a "buying alert" until it breaks out of the short-term trendline accompanying its decline.

• *The author runs Smartcharts, which offers chart services and technical analysis research*







BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 7 July 1992.

ention is drawn the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.
2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.
3. Investments in debentures or securities other than equity shares are not permitted.
4. No investment can be made in scrips in which there has been no trading on the reference date for investment (23 June 1992 for Contest No 21).
5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).
6. The maximum amount investible in any one scrip is Rs 50,000.
7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 23 June 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.
8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 22 July 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.
9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.
10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 6% per annum.
11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stockmarkets.)
12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 21, the last date for the receipt of entries is 7 July 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 21 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**
13. In case of a tie, the money will be divided equally among the winners.
14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.
15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.
16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 15

FIRST PRIZE (Rs 2,500)

ROSEMARY PINTO

Pinto's portfolio appreciated to Rs 3,65,500

SECOND PRIZE (Rs 830)

P.N. ARGULKAR

Argulkar's portfolio appreciated to Rs 3,64,004.17

PHILOMENA LOBO

Lobo's portfolio appreciated to Rs 3,64,004.17

VARSHA ATHALYE

Athalye's portfolio appreciated to Rs 3,64,004.17

It was a close contest at that. The four contestants who made it to the winners' league put their bucks on Madhavnagar (up 233%) and Solar Busiforms (up 300%). Though Argulkar, Lobo and Athalye chose to put their balance amount (Rs 1,000 each) in the savings account, Pinto proved to be an astute contestant by putting her balance notional amount on Sunrise Industries, an under par scrip, which moved up 150 points.

Congrats!

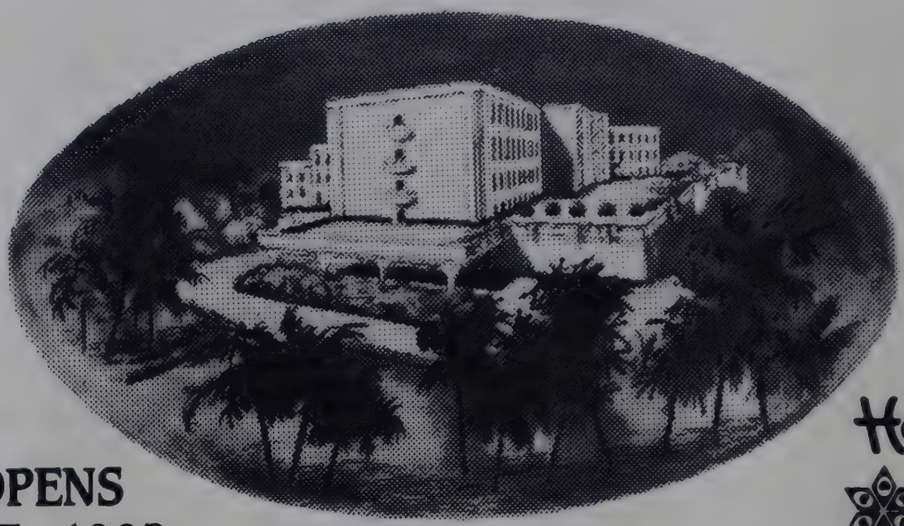
INVESTOR CONTEST NO 21 — ENTRY FORM

Name of scrip	Price on 23 June 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

Address: _____

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Rourkela Nitrite Ltd (RNL) director U. Ray has discovered a unique method of making money — and help control pollution. He's setting up a project to manufacture sodium nitrite and sodium nitrate using nitrogen effluents.

Says he: "Sometime ago, nitrogen emissions from the Steel Authority of India Ltd's (Sail's) Rourkela plant had created environment problems. The plant was then shut down for nearly six months and was lying idle. When we came up with our proposal to convert the effluent into sodium nitrite/nitrate, Sail authorities were more than happy."

RNL, in which Sail will have a 15% equity stake, will turn out 2,560 tonnes per annum (tpa) of sodium nitrite and 4,320 tpa of sodium nitrate.

To part-finance the Rs 6.53 crore project, RNL is entering the capital market this month with an at-par equity issue of Rs 2.23 crore. Commercial production is expected to begin in early 1993.



The Madhya Pradesh-based Hira group (turnover: Rs 30 crore) tapped the capital market in 1986 through flagship company Hira Fero Alloys Ltd (HFAL). It's now reaching for investors' purses once again.

Says group chairman J.P. Agarwal: "HFAL is the only public limited company in our group and its shares, which are listed on the Indore stock exchange, are quoted at Rs 65." According to him, the company is also seeking a listing on the Bombay, Delhi and Calcutta stock exchanges.

Currently, HFAL, which manufactures 8,000 tpa of ferro manganese, is expanding its capacity by 10,000 tpa. The group also plans to set up a 900 tpa phosphorus plant in Raipur and a 10 MW power station in the near future.

To part-finance the Rs 5 crore expansion, HFAL is entering the capital market in August with a Rs 3.5 crore rights (3:5) issue at a premium of Rs 10 per share.



K.I. Bakshi is changing tracks. From advising people on setting up projects, he is now moving into manufacturing. His project: making and exporting dehydrated foods. Bakshi has taken over a closed company Gujarat Dehyd Foods Ltd (GDFL), in Bhuj (Gujarat), on a contract. The agreement is for a year and Bakshi will get Rs 8,000 for every tonne produced.

The company's two plants have a combined production capacity of 800 tpa, which Bakshi hopes to raise to 3,600 tpa by the year-end. Says he: "I got into manufacturing because I thought that this project required a personal touch. Besides, I had been working on it for nearly two years."

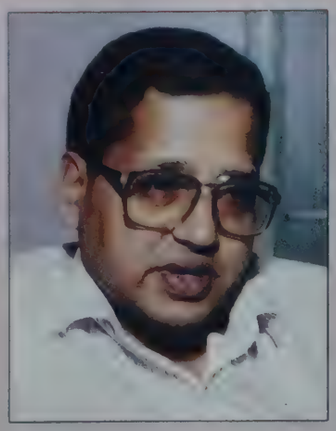
To part-finance the 100% export-oriented unit's Rs 6 crore expansion programme, GDFL is coming out with an at-par equity issue of Rs 3 crore in July 1992.



N.K. Surana is making a diversification move. Having a host of other businesses, the Calcutta-based industrialist is now trying to add glitter to his balance-sheet by promoting Sarla Gems Ltd (SGL).

Says Surana: "Even though the company was incorporated earlier, only now will I be able to pay full attention to it." The plant is located in the Falta export processing zone. The company has tied up with Metro Charles Co of the US. Under this there will be a 100% buyback arrangement of its products for 10 years. Phase I of the plant has been completed and SGL has so far notched up exports worth Rs 91 lakh.

To part-finance the second phase, SGL is entering the capital market this month with an at-par equity issue of Rs 2.40 crore.



Who is better equipped to make medicines than a doctor? A.D. Krishnan, whose firm, Vysali Pharmaceuticals Ltd (VPL), manufactures a range of antibiotic formulations, will now make bulk drugs.

Says Krishnan: "To a certain extent, I decided to enter the manufacturing arena because I wanted to do something different and at the same not forget my medical duty. I wanted to continue serving the sick. Hence I thought of manufacturing antibiotic formulations."

Now VPL intends to set up a bulk drug plant for injectible penicillins and other products. Next it proposes to manufacture human vaccines. It also proposes to develop technology for the basic fermentation of certain antibiotics like tetracycline, erythromycin and rifampicin.

To part-finance his bulk drug plans, VPL is entering the capital market with an at-par equity issue of Rs 3 crore in July.



Alcohol and cattlefeed don't seem to go together. But for C. Balakrishnan of the Kerala-based Superstar Distilleries and Foods Ltd (SDFL), it's a cocktail that means profits. He now intends to use tapioca to produce alcohol and cattlefeed (a byproduct).

Says Balakrishnan: "Kerala is a virgin market and the production of tapioca in the state is estimated at 35 lakh tpa. This gives us the advantage of having the raw material supply in abundance."

About 50% of the total alcohol produced will be sold to the Kerala government for conversion into arrack; the rest will be used to make Indian-made foreign liquor.

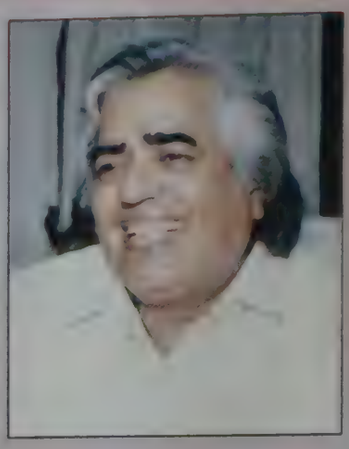
To part-finance the Rs 12 crore project, SDFL is entering the capital market this month with an at-par equity issue of Rs 5 crore.



Thiagaraj S. Chettiar doesn't believe in putting all his eggs into one basket. After making forays into electronics and infrastructure development like software technology parks and housing, Chettiar is now taking his New Era Technologies group into a new area — agro-based chemicals. He is setting up a Rs 20-crore-plus venture in Cuddalore, Tamil Nadu.

Says Chettiar: "Such a diversification has been planned because of the changed environment in the country and in Tamil Nadu." The new company — New Era Agro Chemicals Ltd (NEACL) — will manufacture 4,500 tpa of oxalic acid, 1,500 tpa of diethyl oxalate and 15,000 kilolitres per annum of industrial alcohol. The raw materials are sugar and molasses, which are cheaply available.

To part-finance the project, NEACL is coming out with an at-par equity issue of Rs 4 crore in August.



The devaluation of the rupee has made textile exports a profitable proposition. And hoping to rake in the moolah is Suresh Keswani, chairman of Keswani Synthetics Industries Ltd (KSIL), currently engaged in the dyeing, twisting and trading of synthetic yarn.

Says Keswani: "Textile exports has become a profitable business after devaluation, since in countries like South Korea and Taiwan, the cost of production has increased enormously. Thus their products have become unviable cost-wise." He is enhancing the capacities for dyeing from 360 tpa to 760 tpa and twisting from 300 tpa to 550 tpa.

To part-finance the Rs 5.35 crore expansion programme, slated to be completed in November, KSIL is coming out with an equity issue of Rs 2.40 crore. Each Rs 10 share will have a premium of Rs 6.

CEAT: GOOD GOING

Any stockmarket expert will tell you that tyre scrips are a no-no, what with overcapacity in the industry and a squeeze on profit margins. But they'll make one exception — Ceat. One look at the company's results for the first half of 1991-92 will convince anyone that the industry is booming. Sales for the period July-December 1991 were Rs 340.73 crore (previous corresponding period: Rs 265.86 crore). Gross profit margin (GPM) went up from 5.94% to 7.51%, cash flow (depreciation plus net profit) improved from Rs 14.80 crore to Rs 25.60 crore and equity capital was Rs 23.26 crore. On an annualised basis, the cash earning per share worked out to Rs 22 and the EPS zoomed to an annualised Rs 14.55.



NYLON TYRE CORD: *Profitable proposition?*

While buying a scrip, investors also look at the future prospects of the company. The annual report of Ceat for 1990-91 provides an insight into the impending jump in sales and profits — Rs 17.25 crore of plant and machinery was added in 1990-91 while capital work in progress as on 30 June 1991 was a massive Rs 86.96 crore. Inference: the company was expanding its range of operations, the impact of which would be felt only in 1991-92.

"We commissioned our Aurangabad plant, with an installed capacity of 15 lakh numbers of two-wheeler and three-wheeler tyres, in September 1991," says senior vice-president (operations) P. Majumdar, "and in late March 1992, we began operations at our tyre cord plant at Malanpur."

Ceat produced 29.47 lakh automotive tyres in 1990-91 against an installed capacity of 30.80 lakh. The subsequent addition to capacity in Aurangabad is being implemented in two phases. The first, costing Rs 40 crore, will roll out 15 lakh numbers a year by end-1992. The Rs 80 crore second phase will produce 5 lakh radialised truck tyres. Projected date of implementation: mid-1994.

But will Ceat be able to peddle the increased production at a time when the economy has slowed down and tyre offtake dropped? The excess of supply over demand may knock a few points off the margins and carve away a slice of the bottomline. The market for automotive tyres is estimated at 2 crore units per annum against an annual production of 2.2 crore. "Supply will shoot to 2.8 crore over the next few years, with demand failing to keep in step," says Majumdar. "On the brighter side, we should have selling problems for only a couple of years because the expansion in the economy should be able to absorb this excess by 1995-96. So if we don't add capacity, we will end up losing marketshare."

Then, how has Ceat managed to grow in this situation? Company sources give a variety of reasons. Some of them: more dealers accept Ceat's products because of its range — from earthmovers to scooter tyres; since the distribution network is old and established, the product flow is smooth and does not add to inventories; the dealer-company relation works in the company's favour in a recession.

Had it been just a tyre company, Ceat might have been hit by the volatility of the raw materials market. "We have one major advantage, not enjoyed by the other tyre companies in the country," explains general manager (finance) N.S. Kumbhat, "Within the RPG group we have companies manufacturing all the raw materials required for our company. Harrisons Malayalam makes the rubber, Philips Carbon Black manufactures the carbon black and Bayer supplies the chemicals. Recently, Ceat integrated backwards to manufacture nylon tyre cord (NTC) as well."

The NTC diversification comes at an interesting time. When the project was conceived a couple of years ago, there was a shortage of NTC and it made sense to integrate backwards. But in the meantime, NTC production exceeded supply, and right now there is almost a glut. Kumbhat explains why it still makes sense to have an in-house supply of NTC: "We don't see the high investment costs. Our 8,500 tonnes per annum (tpa) plant has cost Rs 270 crore. For those coming up five years from now, the capital costs will be even higher and they will find it very hard to break even. Besides, in the next couple of years we expect demand for NTC to overtake supply."

There are a couple of other reasons why Ceat's bottomline should be on the uptrend. One, the company is one among only three fibre glass manufacturers in the country and the current domestic consumption levels are low. The Murphy division, which drained the Ceat bottomline to the extent of Rs 7 crore in 1990-91 is expected to break even in 1992-93.

Ceat's sales for 1990-91 were Rs 564.33 crore; in 1991-92 they are expected to be around Rs 800 crore and Rs 1,000 crore-plus in 1992-93. Assuming the GPM of 7.51% of the first half of 1991-92 to be the benchmark of profitability, one can expect a cash flow of approximately Rs 60 crore for 1991-92. If interest costs can be kept at 1991-92 levels, then the cash flow for 1992-93 could shoot up to around Rs 90 crore.

Compare this with the equity capital of Rs 23.26 crore and you will get a fair idea of why this tyre manufacturer with the rhino's toughness is getting mistaken for a bull of late.

□ Mudar Patherya

China is taking the capitalist road.

THE SHENZHEN ALTERNATIVE

It's seven o'clock in the evening, and the Chiu Chow restaurant in a leading hotel is packed with diners. Shenzhen's big spenders flash costly rings and name-brand watches as they pick their teeth. "Why is Chiu Chow cuisine so popular in the special economic zone (SEZ)?"a visitor asks. "It's expensive," comes the answer.

The shopping centre attached to the hotel is packed with boutiques offering "Taiwan" fashion at prices that would raise eyebrows across the border in Hongkong. "Who buys these clothes?" the visitor wonders. Unless the authorities have chosen to carry out one of their periodic crackdowns on vice, the question can be answered with a trip to the coffee shop of the same hotel.

It looks like a catwalk, with pretty girls in a variety of costumes parading past the tables, sometimes pausing with a suggestive look at unaccompanied men. At about half the tables two or three young women sip water or tea. A paying customer is turned away for lack of space.

More than once Shenzhen has been compared to a boom town of the American Wild West. Eleven years of stunning economic growth have vastly improved the quality of life in China's foremost laboratory for economic reforms. Even among China's other SEZs it provides a refreshing alternative to the fossilised system in the rest of the country.

Shenzhen's free-wheeling environment and its proximity to Hongkong, one of the world's largest financial and information centres, continue to be its strongest attractions. The free circulation of the Hongkong dollar in the SEZ has helped boost the zone's financial liquidity, enabling it to overtake Shanghai as the country's largest foreign currency swap centre.

Since the beginning of 1992 the Shenzhen alternative has been thrust even more into the limelight. On a visit in January, paramount leader Deng Xiaoping endorsed the city as a model for the future development of China, and a vindication of his economic reforms.

Uncertain destination. But Shenzhen itself does not always seem to know where it is supposed to be heading. Invariably, different sectors of the multifaceted society have their own ideas on the best way forward. Complicating things further is a delicate relationship with the northern leadership, not all of whom are enamoured of Deng's curious creation. The tricky relationship with Peking explains why no official has been able to define the "socialist Hongkong" that Deng has called on the SEZ to become.



A SHENZHEN VIEW: *Rapid strides*

Shenzhen's top administrators are all Peking appointees, and central policy directives receive respectful attention, especially when they relate to politics. But with the dour ideological source so far away, municipal leaders are straining at the leash for more rapid reform and development. Formulation of specially tailored laws for the SEZ and changes to the border administration, designed to ease communications with Hongkong while tightening the border with the rest of China, are just two matters over which local administrators are struggling with a reluctant central government.

Shenzhen's prospects are closely linked to the future political status of Hongkong, given increasing speculation over a possible merger after the British colony returns to Chinese sovereignty in 1997. But the two places also have conflicting interests. While Shenzhen officials are clear about their intention to build a service economy like Hongkong's, a hint of uneasiness tinges the insistence of officials on both sides of the border that the SEZ will complement, rather than compete, with its neighbour.

The impression one gets is that no one cares to ponder these questions too long and hard. There is work to be done, and development proceeds at an awe-inspiring pace. No longer does the 327.5 sq km zone look like the dusty desert of the early eighties when massive earth works were constructed during infrastructure building from scratch.

Population boom. One of the greatest challenges the SEZ faces is its enormous attraction to people from every corner of China. Shenzhen's tiny population of 70,000 in 1978 had swollen to 2 million last year, according to official estimates, though a further 5 lakh are believed to be living in the city without valid permits. Most of these have neither full-time jobs nor fixed abodes.

But unlike Guangzhou, where the homeless hunker down at train stations and beggars flock around well-dressed visitors, Shenzhen's underground citizens remain unobtrusive. A slum clearance programme discovered some 20,000 illegal migrants, mostly from poor, inland provinces, in well-organised temporary shelters, with their own hospitals, clinics and schools, says Huang Xuelin of the SEZ's Economic Development Bureau. The city had originally planned for a population of 8 lakh by the year 2000 but the feverish rate of expansion caught planners by surprise. The population is reckoned to have swollen by nearly 20% between 1990 and 1991. Hospital and educational facilities are becoming overstretched.

Shenzhen's temporary workforce,

which makes up 80% of the zone's 1.3 million workers, enjoys much more restricted access to government-funded social amenities. As a matter of policy, companies operating in the zone are required to provide medical benefits as well as food and transport allowances. In most cases, enterprises still provide housing though a growing number of firms have broken with this tradition.

Temporary workers are not encouraged to marry and establish families in the SEZ. If they insist on doing so, they pay penalties such as higher school fees for their children. The basic lot of a temporary resident is to work long hours seven days a week, and go back to the home village with pockets full of cash at the end of a two-year contract. While movement from job to job is possible, many a worker has spent a full 10 years in the SEZ without enjoying any improvement in his or her status.

While entrepreneurs and professionals enjoy greatly superior lifestyles and future prospects, observers see the landed villagers as the closest thing to an aristocracy in the SEZ. Income from development of their land, or rental of fields to farmers from Hongkong or elsewhere in China, ensures that the villagers will never have to work a day for the rest of their lives.

A new leisure class. The effects of this lack of gainful activity in an environment as limited as Shenzhen's are not all beneficial, however. This small but highly visible leisure class is notorious for frequenting discos and karaoke bars, and for a fertile inventiveness in harassing factory owners and temporary labourers.

The wide divergence of economic freedom, accompanied by the relative youthfulness of the polygot population — aged around 28 on average — have given rise to contradictory social attitudes, which could cause problems if the underclass majority decides it wants a greater share of the SEZ's bounty.

The social structure, relative openness and access to Hongkong media ought to provide an excellent environment for endless ideological debate. But the SEZ is curiously sterile in this respect. According to one resident, most people are too busy making money to talk about politics. In a hotel restaurant the music system plays *"For Freedom"* and other protest anthems that became popular in Hongkong around the time of the student protests in Peking in 1989. No one seems to notice the incongruity.

But different responses to Deng's surprise visit to the SEZ in January illustrate that people have divergent views on a political world that is never as far away as they might like. One young taxi driver, a stylishly geared fan of Cantopop (Hongkong's local brand of popular music), was cynical about the visit which had led to road blocks, causing him to lose fares. Another, 10 years older, was placatory and respectful. He had a laminated picture of chairman Mao on his driving mirror for good luck. A waiter at a Sichaun restaurant, resident in Shenzhen for 10 years, said: "Some people wanted to see Deng. Others said, 'I don't want to see him!'"



A divided society. One economist describes Shenzhen as a society divided into those who have bread for breakfast and those who have rice porridge, the traditional fare for much of China. The reference comes from former culture minister Wang Meng's controversial story of a Chinese household, entitled *Hard Porridge*. The porridge eaters — the ones who respect their elders, and by extension China's ageing leaders — are losing influence in the SEZ, he said.

Rejection of the elders is more visible in social mores than in political discourse. Despite periodic sweeps on vice, prostitution remains a growing problem.

All in all, the SEZ has accomplished more than its formulators might have intended it to do. On the economic front it has provided a stage for many successful business deals between foreign investors and Chinese cadres. Legitimate or otherwise, the opportunities are still there, as the continued growth in foreign investment proves. The SEZ also acts as a window to the outside world for China's vast interior and offers a springboard into the hinterland for Hongkong and other foreign businessmen.

While there has been some speculation that Shanghai's ambitious development plans will eventually overshadow Shenzhen's, many doubt it. "When you take a night flight from Peking and pass over Shanghai, the city is dark," says one former Shanghai resident. "But when you reach the south, the sky begins to glow."

Whatever the cadres in Peking ultimately decide about Shenzhen, it will have irrevocably changed the vision of a nation. As one new resident of the SEZ puts it: "Once people have come to Shenzhen, there's no going back. Any place else in China will bore them." — *Far Eastern Economic Review.*

Extortionists are threatening Taiwanese firms.

EXPLOSIVE SITUATION

Police and crime experts are reluctant to admit it, but the recent bombings of the McDonald's fast-food chain in Taiwan

highlight a rise in small-time extortion of businesses on the island.

Crime statistics show that extortion cases reported to the police in 1990 rose 75% from a year earlier to 2,600. The number of cases increased again in 1991, though police say complete data is not yet available for the year. Most of the 97 bomb threats reported last year were money-related.

Crime experts note that the recent bombings at McDonald's branches were unusual because the extortist demanded so little money — only NT$6 million (Rs 62.3 lakh). This is one clue that the multiple bombings may have been the work of an independent operator.

"If this were an organised gang, the amount demanded would have been much higher for such a successful business," a police source says. In contrast, two kidnapping cases several years ago involved demands for NT$100 million each.

With 57 outlets, McDonald's is the largest fast-food chain on the island and the most profitable, with daily sales estimated in excess of NT$6 million. The company's Taiwan branches have one of the highest sales volumes of any McDonald's in the world.

The company temporarily closed all its branches on 29 April after a policeman was killed while trying to remove one bomb and two employees were injured when a bomb exploded at another store. Two other bombs were found in Taipei branches, while a third bomb exploded outside Kaohsiung branch.

David Sun, who owns the Taiwan franchise, says additional security measures will cost the company a large sum. The measures include installing closed-circuit video monitors and sealing bathroom ceilings where bombs were hidden. "The costs will be high," Sun says, "but the safety of the general public is our No 1 concern."

The McDonald's bombings set off a rash of bomb threats to department stores and other fast-food chains, but police have described these threats as "copy-cat" hoaxes.

Despite initial criticism that it reacted too slowly to the threats, McDonald's is now being held up as an example for other businesses to follow because of its refusal to give in to extortion demands. — *Far Eastern Economic Review.*

Eleven European broadcasters plan to jointly...

MAKE NEWS

Ever since the deeply tanned newsreaders of America's Cable News Network (CNN) flashed on to screens across Europe in 1985 European broadcasters, hemmed in by national boundaries, have longed for their own presenters to do the same. Now coming to fruition, their plans are driven more by politics and oversupply of programmes than by viewer demand.

Last month 11 European state-owned broadcasters announced that in January 1993 they will jointly launch a pan-European news channel, imaginatively called Euronews. The companies plan to put up 55% of the project's annual running costs of 50 million ecus (Rs 163.49 crore). The rest will be raised from advertising and from public bodies like the European parliament and the French city of Lyons, which will house the new venture. The Germans and the British are staying out of the project for now: the Germans because they are concentrating on extending east rather than west, the British Broadcasting Corp (BBC) because it already has a 24-hour news channel of its own, called World Service Television. The BBC plans to start selling this channel, currently available in Asia and Africa, into Europe before the end of the year.

Why the sudden burst of Euro-enthusiasm? For all the rage in the eighties, pan-European television has so far proved a flop. Most of Europe's 80 or so satellite stations stick to single-language markets. Those trying to be more adventurous have not prospered. Sky Channel, an early pan-European effort owned by Rupert Murdoch, closed in 1989. Super Channel, a "multi-cultural" general-entertainment service, has changed hands twice and gone bust once since its 1986 launch. Of the small band of commercial pan-European stations that survive — CNN, MTV, Discovery, two sports channels and a children's channel — only CNN and the easy-to-watch sports and pop stations look within reach of making money.

A European viewpoint. But Euronews' backers say making money is not what is in their minds. The point of the channel, explains Pierre Burnel-Lantenac, in charge of the launching, is to put European news in a European context: "CNN is an American channel, an American point of view — the point of Euronews is to give the viewer back his memories."

As for the BBC, the news channel is a way of getting more out of programmes it is making anyway. World Service Television mixes an hourly 20 minutes of specially made news with recycled BBC fodder such as "Tomorrow's World" and "Wogan." Euronews will be an even odder mix. Cobbled together from members' existing footage, it will be broadcast simultaneously in English, German, French, Italian and Spanish. To do away with the need for live dubbing, the channel will rely on voice-overs instead of presenters.

Though cheap, this sounds like a recipe for dull viewing. Mark Rudolph, head of CNN's European sales, notes that "typically, a broadcaster likes to show his news first in his own market. How then will Euronews manage



to be timely?" Juggling the conflicting priorities of different shareholders will also be tough. Europa, a general-entertainment channel launched by five state-owned European broadcasters in 1985, collapsed in debts and acrimony only 12 months later.

Snipe as CNN may, it is taking the news channels seriously. Previously accessible in Europe only via cable, the company in April started broadcasting directly to home satellite dishes. The move gives the station an extra 9 million potential viewers, mostly in Britain and Germany, where lots of people own dishes. Tabitha Elwes, a media consultant at the London office of Booz Allen & Hamilton, thinks this could be bad news for national channels, like Britain's Sky News. It is broadcast from the same satellite as CNN, so some of its viewers could easily shift their allegiance to CNN.

To hedge its bets, CNN is thinking about investing in national news channels, too. It has talked to Westschienen, a consortium of German commercial broadcasters, and to two French commercial channels, TFI and Canal Plus, about taking stakes in 24-hour national-language news channels they plan to launch next year. Although CNN has already done lots to correct its "made in Atlanta"image — by opening more foreign offices and hiring non-American presenters — it knows that for most Europeans local news, in a language they understand, will always be preferable. Even for the company that is helping make it that way, the world is not yet a global village. — *The Economist.*

Western companies zero in on Japanese firms.

PATENT PROBLEM

As American and European companies inspect their patent portfolios to see whether they are earning proper returns in these straitened times, Japanese bosses are scurrying for their lawyers. Several western firms expect to collect $1 billion (Rs 2,595 crore) or more for infringements of their intellectual property in Japan.

Earlier this year Japan's Minolta agreed to a $127 million settlement with Honeywell after a six-year wrangle over patents for the auto-focusing technique used in modern cameras. The American company is now taking action against five other Japanese camera makers and is threatening to start proceedings against Japanese manufacturers of video camcorders as well. Industry analysts reckon Honeywell could eventually collect more than $1 billion for infringements of its auto-focusing patents.

It is not alone. Loral Fairchild, a subsidiary of Loral, an American defence contractor, is seeking "several billion dollars" from Sony, Matsushita, Sharp, Canon, Toshiba, NEC and around two dozen other companies that either manufacture or use charge-coupled devices (CCDs) in their products. The New York-based firm owns the patents covering CCDs — the "electronic-eye" microchips used in camcorders, photocopiers and fax machines — and is demanding royalties of up to 10% of sales.

But the biggest royalty prize of all looks like going to Texas Instruments (TI). Back in the late fifties, a TI employee called Jack Kilby patented the basic principles behind the integrated circuit. Any chip maker without a licence from TI — costing typically 3-5% of sales — is vulnerable to a suit. The Dallas-based firm is believed to have earned nearly $1 billion in patent royalties between 1987 and 1991. That was before it put the squeeze on Japanese chip makers. Since then TI has signed up Hitachi, Toshiba, Ricoh and Sharp. Mitsubishi Electric will probably be the next to buy a TI licence to carry on making chips. Fujitsu, for now, has chosen to fight. That would be costly.

The irony for Fujitsu and other Japanese microchip makers is that Kilby's cornerstone patents are valid in Japan until 2001. They would have expired long ago but for bureaucratic delays caused when TI first tried to patent the invention in Japan in 1960. Determined to protect the country's fledgling semiconductor firms of the day, the Japanese government had TI's patent application repeatedly turned down for being "too comprehensive." It was not until 1989 — with the threat of American trade sanctions — that TI eventually got its Kilby patents registered in Japan.

Like the majority of original concepts patented in the US, the Kilby patents cover broadly defined ideas. In America, for instance, Grid Systems has managed to patent the concept of a laptop computer as a hinged flat box, with the underside of the lid forming a screen when opened and the base containing a keyboard. Elsewhere, Grid would have been laughed out of court. But for Toshiba, NEC, Sharp, Epson and other Japanese manufacturers selling laptops in America, the Grid patent is a persistent headache.



Difference in methods. Japanese manufacturers have even greater difficulty dealing with the way patents are granted in the US on the basis of first-to-invent rather than first-to-file, the rule in force everywhere in the world except America and Philippines. The first-to-invent principle favours the small entrepreneurial inventors who were common in America when its patent laws were formulated in the eighteen thirties. The first-to-file approach favours large

companies — especially Japanese behemoths with their well-endowed patent departments and corporate laboratories churning out improvements to existing products.

The American patenting system keeps the inventor's idea secret until the patent is granted. In contrast, the Japanese Patent Office publishes the inventor's idea 18 months after the application is made, so competitors can challenge its claims. It then takes anything up to seven years for the Japanese authorities to examine the claim, hear the objections and decide whether to grant a patent or not — in some cases, even longer. As TI found to its cost when it first tried to patent Kilby's invention in Japan, determined opposition can delay an application for decades, giving rivals ample chance to examine the original claim in detail and "invent around" it. In the meantime, competitors are free to carry on using the inventor's idea without permission.

A far narrower definition of what is patentable and a propensity to make incremental improvements to existing ideas have long encouraged Japanese firms to issue flurries of patents that differ only marginally in their claims. The approach shows up in the number of patents recorded. The Japanese Patent Office accepted more than 7.2 lakh applications in 1990; the comparable figure for the US was around 1.5 lakh. Even in America, Japanese companies count for one out of every five patents actually granted. Four of last year's top five patent holders in America were Japanese firms — Toshiba, Mitsubishi Electric, Hitachi and Canon (Eastman Kodak came fourth).

The Americans think that the Japanese patenting system is sound in principle but prone to abuse — especially in the way competitors are allowed to delay applications almost indefinitely. But harmonisation talks under the auspices of the World Intellectual Property Organisation, a body affiliated to the United Nations in Geneva, are slowly bringing the Americans into line with the Europeans and the Japanese. Policymakers in Washington say they are ready to adopt the first-to-file principle, provided Japan slashes the time taken to process patents to just two years.

Easier said than done. Though the most automated in the world, the Japanese Patent Office has fewer than 1,000 qualified examiners trying to do five times as much work as America's 1,500 inspectors. Japan will have to train a lot more if patent parleying is not to turn into a patent war. — *The Economist.*

The LA riots may delay its economic recovery.

THE AFTERMATH

In the many post-recession forecasts sketched out by American economists, one possibility was strangely ignored: what happens when a mob tries to set fire to the manufacturing and trading centre of the world's biggest economy? The four days of rioting in Los Angeles have cost the city roughly $1 billion in direct damages. Set against California's gross product of $800 billion that is small beer, but the indirect effect on America's economic powerhouse could be much greater.



CLEANING UP AFTER THE RIOTS: *Will businesses stay on?*

Last year Los Angeles county lost 2 lakh jobs. Before the riots, however, the first signs of recovery were beginning to appear. Southern California's much-discussed aerospace industry is still in the doldrums, thanks to the Pentagon's defence cuts; but the order books at many of the region's less well-known businesses, such as clothing, furniture and high technology, began to pick up in the first quarter of this year. Even Hollywood, after a year of cost-cutting, is beginning to show renewed signs of life.

For the most part, the riots disrupted rather than destroyed the key parts of Los Angeles business: shipments were delayed, film shoots cancelled, offices closed. Most of the destruction was confined to the region's least productive areas. The riots' biggest victims were small family-owned businesses, such as Korean grocery stores. Bigger retailing operations, like Thrifty, have gritted their teeth in a public-spirited way and promised to set up shop again. At least $700 million will be needed for rebuilding.

In a city dominated by small businesses (which employ nine out of every 10 workers), statistics are difficult to gather. Jack Kyser, an economist at the city's Economic Development Corp, reckons that the riots may delay recovery slightly, but he is sticking to a prediction that Los Angeles county will lose a further 54,000 jobs this year — before turning the corner in 1993. Much depends on how the city's investors and customers re-evaluate the region.

Most vulnerable. The industry with the most to lose is Los Angeles' huge tourist industry, which plucks some $7 billion from the 22 million tourists who visit the city each year. Officials are particularly worried that overseas visitors, who account for a fifth of the business, will be put off.

A much more nagging worry is that the riots will confirm the fashionable theory that Los Angeles is now a bad place to do business. Again, the bigger concern is overseas investors. Joel Kotkin, author of a forthcoming book on ethnic economics, detects the first signs of a battle between Japanese parent companies (which are keen to move out) and their subsidiaries (which are keen to stay in).

On balance, it is likely that most of the companies concerned will whinge a lot — and stay. Southern California is simply too big a market to avoid. If so, then Los Angeles' depressed office market will have more effect on the region's business vitality than the riots. The two biggest new buildings in downtown Los Angeles are only 25% leased and 46% leased, with more space due soon. "If the rioters had burned them down," grumbles one local, "they would have been doing us a favour. — *The Economist.*

NEWS BRIEFS

■ US textile manufacturers are alarmed by the proposed reforms in the multifibre arrangement (**MFA**) regulating world trade in textiles. According to a survey commissioned by the American Textile Manufacturers Institute (ATMI), Asian quotas will account for 74.1% of all quotas entering the US market by 2002 if proposals in the draft agreement on the Uruguay round of world trade talks are put into effect.

■ **Mercedes-Benz**, the automotive subsidiary of Daimler-Benz, plans to reorganise its German operations into between 20 and 25 decentralised units to sharpen performance and slash costs. The changes are expected to narrow the gap between Mercedes and its Japanese competitors.

■ The **World Bank** will link loan volume to the strength of a country's efforts to fight poverty, according to the bank's president Lewis Preston. The link between loans and poverty relief forms part of a new drive to make poverty alleviation the bank's central mission in the nineties.

■ **Daihatsu** is to help launch Malaysia's second national car project. Daihatsu, which is partly owned by Toyota, has been asked by Malaysian prime minister Mahathir Mohammed to help build a car of below 1,000cc and costing not more than 20,000 ringgit (Rs 2.07 lakh).

■ **Deutsche Bank** is planning to restructure its North American operations to strengthen its presence in US capital markets and private banking.

■ The role of the Asian Development Bank (**ADB**) is likely to be scrutinised closely by its shareholders in the industrialised world following the bank's request for a large capital increase to support lending over the rest of the decade. According to the *Financial Times*, the developed countries, which provide the bank with the bulk of its capital backing, are likely to question the bank's lending, which is principally to public sector projects in a few countries.

■ The economic slump in **Japan** has had its effect on the sales of imported cars there. According to the Japan Automobile Importers Association, sales of imported cars, trucks and buses dropped 15% from last year to 17,569 units.

■ **AB Volvo** and French ally **Renault SA** have reached an agreement to fully merge their car and truck operations under a new company in which Renault will have a majority stake, says the *The Asian Wall Street Journal*.

■ **Kyrgyzstan** has become a member of the International Monetary Fund, bringing the total membership of the Fund to 159 countries.

■ French media group **Hachette** has announced its intention to merge with its sister company Matra, a defence and transport group, creating a conglomerate with about 50,000 employees and Ffr 53 billion in annual revenue.

■ **Russia** will make the rouble fully convertible by 1 August. Currency convertibility, which the Boris Yeltsin government has long promised as part of its radical economic reforms plan, should help spur increased foreign investment, says *The Asian Wall Street Journal*.

■ A 143-country United Nations committee has agreed on a draft of a treaty to curb **emissions** of greenhouse gases which threaten to change the earth's climate. The document is likely to become the centrepiece of the Earth Summit to be held in Rio de Janiero in June.

■ The crisis in the Swedish banking system has reached such proportions that the state has been forced to intervene directly to secure the future of **Nordbanken**, the country's second-largest commercial bank, says the *Financial Times*. The government has stepped in with a pledge of Skr 20 billion for "guarantees, loans or capital infusions" to restructure the bank and help stabilise the country's banking system.

■ The European Commission has approved its controversial draft directive to **tax energy** to combat global warming. The tax will have its biggest impact on industry and power station operators. It will result in a 6% and 11% rise in the prices of petrol and diesel respectively by the year 2000. However, the commission has made the introduction of the tax conditional on the US and Japan adopting similar measures to curb carbon dioxide emissions.

■ Trans World Airlines (**TWA**), the bankrupt US carrier owned by Carl



ICAHN: *A last-ditch attempt*

Icahn, has renegotiated a deal with American Airlines. It involves the sale of TWA's landing slots and gates at Chicago's O'Hare airport.

■ A **Gatt** (General Agreements on Tariffs & Trade) panel has ruled against the US after a complaint by the European Community over Washington's "buy American" policy. The panel says the proposal to buy a sonar mapping system has broken rules on government procurement under the agreement. It has urged the US to open bidding for the system to overseas suppliers.

■ **El Salvador**, **Guatemala** and **Honduras** have agreed to create a free trade zone and to accelerate Central American integration. The accord will allow unrestricted movement of almost all goods and capital across the three countries and establish uniform customs duties on imports.



H. J. Amin has taken over as CEO and director of Shapoorji Pallonji & Co.



S.V.N. Ranga Rao has been promoted as director (airport services) of Air India.



R.M. Agarwal has been appointed CMD of Aditya International.



G.R. Sampath has taken over as executive director of the Gujarat refinery of the Indian Oil Corp.



B.P. Thakur has taken over as director (personnel) of Bharat Bharti Udyog Nigam.



M. R. Ghosh has taken over as director (finance) of Mining & Allied Machinery Corp.



M.P. Dewangan has been appointed CMD of Manganese Ore (India).



S.Y. Khedkar has taken over as general manager of the Gujarat refinery of the Indian Oil Corp.



Alok Shriram has taken over as deputy managing director of DCM Shriram Industries.



Prasanna Rao has taken over as regional personnel manager of Oberoi Hotels, Bombay.



Sarosh Aibara has been promoted to executive assistant manager of The Oberoi, Bombay.



Shekhar Bajaj has been elected president of The Indian Merchants' Chamber for the year 1992-93.

Our client, USD 100 million group, with offices in USA, Nigeria & India, presently engaged in international trading of plastic raw materials and are one of the largest exporters of commodity plastic out of USA. They also represent leading Plastic raw material manufacturers to market their products in India. Indian turnover is in excess of USD 350 million.

Company wishes to diversify into (i) international trading of items like moulds, plastic machinery, additives, bulk drug, pigments and colours etc. (ii) expand indenting business and add new products lines/agencies. To achieve above they require

V P – INTERNATIONAL MARKETING

BOMBAY **EXCELLENT TERMS**

Incumbent will be overall incharge for setting up and managing new export division. His main responsibilities will be to market through company's overseas offices and associates and direct marketing in UAE, South East Asia & Far East. He will also be responsible for sourcing, vendor development & business development. He will report to the Director. Job requires frequent travelling overseas.

An ideal person is expected to be a graduate with MBA/IIFT with minimum 10 years experience in exports/ international trading, out of which at least 2 years at senior level. Any exposure to marketing of above mentioned products will be an added advantage. **(Ref. No. NKM/A-1011)**

GENERAL MANAGER – AGENCIES

BOMBAY **EXCELLENT TERMS**

Incumbent will be responsible for marketing and indenting. His main responsibilities will be to expand customer's network, to identify and develop new agency lines, liase between customer and principals for shipping, L/C & other formalities. He will report to the Director and shall be supported by junior executives.

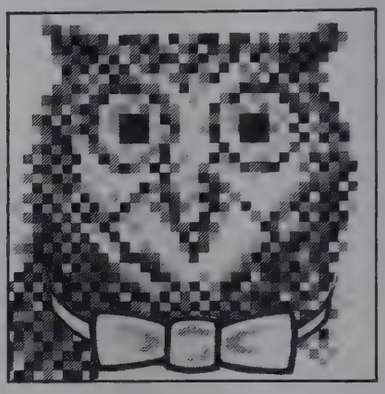
Ideal person is expected to be an engineer with 8-10 years experience in marketing plastic commodities like HDPE, LDPE or PVC or related products. Any exposure to indenting will be an added advantage. **(Ref. No. NKM/A-1009)**

Company offers liberal salary and perks. Courier your CVs to avoid postal delay quoting relevant Ref. No. to :

DATAMATICS STAFFING SERVICES
Eucharistic Congress Bldg 3
5, Convent Street, Colaba
BOMBAY-400 039.

Diason

TCS WANTS YOU TO TRAIN SOME OF THE BEST PROFESSIONALS.



TRAINING AT TCS

TCS lays great emphasis on training and manpower development at all levels. The subjects include software engineering, state-of-the-art tools, techniques, methodologies, hardware and software platform-related skills, management, personal development and foreign languages.

The Corporate Training Group at Bombay is responsible for all training and manages these activities through the training groups at all TCS centres.

A GREAT OPPORTUNITY FOR THE BEST TRAINING PROFESSIONALS.

TCS IS LOOKING FOR THE FOLLOWING TRAINING PROFESSIONALS:

Teaching Faculty with relevant experience in handling various advanced subjects in Information Technology.

Educational Technologists with experience in the design and development of instructional resources like audio-visual software, Instructional Television and Computer-based Training.

Training Executives with experience in marketing, planning, organisation, implementation and evaluation of training programmes.

Applicants must have a Master's Degree in Engineering/Technology and/or related disciplines, with 5 years' or more of proven experience in any of the areas mentioned above.

Openings exist at its Corporate Training Centre, Bombay and Training Centres at Madras, Delhi, Calcutta and Bangalore.

Please send in your resumé, superscribing the envelope, and application "TP/92", to:

TCS

Corporate Manager – Personnel
Tata Consultancy Services
Air India Building, Nariman Point
Bombay 400 021 Tel: 202 4827

Chaitra-B TCS 250 R/92

JAIN GROUP

A well diversified corporate having interest in **textiles, paper, engineering, breweries, aluminium, electronics** and successfully promoted companies like **Jain Tube, Ajanta Tube, Shiva Paper, Indo-Count, Pashupati Acrylong** etc. having annual turnover exceeding Rs. **500 Crores** need the following personnel for their **Calcutta** based units :–

FINANCE CONTROLLER

A young energetic and dynamic Chartered Accountant with minimum 3 to 5 years experience in similar position and capable of handling independently with full team under him the financial accounts, S.T./I.T. of 2/3 units having turnover of 20 Crores. Exposure to **computerised account** is a must. He will have to liaise with banks for sanction/renewal of various facilities for these units. Candidates drawing a salary less than Rs. 100,000/- per annum need not apply.

FACTORY ADMINISTRATOR (Ex-Army person)

A retired army officer (not below the rank of Major). Must be a graduate with Engineering background and capable to handle a labour force of 200. Preference will be given to the candidate conversant with Production Planning, Co-ordination, Progress Monitoring, Maintenance and General Administration, Acquaintance in Labour Laws and experience in Plywood Factory will be an added qualification. Age limit 45 years.

Selected candidates will be offered attractive salary and perks. Please apply within 15 days giving full details of qualification, age, experience etc. to :–

Jain Brothers
29, Strand Road, Calcutta–700 001.

NICCO CORPORATION LTD.
Elizabeth, New Jersey, U. S. A.

SOFTWARE PROFESSIONALS

Software Programmers and System Analysts, skilled in the following areas are required for immediate assignment in USA :

- **Unix/C with any RDBMS such as Oracle, Informix, Ingres, Sybase**
- **OS/400 with RPG111, Synon**
- **MBS/XA with DB/2, CICS etc.**
- **VAX/VMS with RDB**

Interested candidates may contact our Calcutta/Bombay offices :

Calcutta Office
General Manager (Software)
Nicco Corporation Ltd.
'Nicco House'
Project Division, 3rd Floor
2, Hare Street
Calcutta-700 001.

Bombay Office
Nicco Corporation Ltd.
18-20 Raj Industrial Complex, 2nd Floor
Marol, Andheri (East)
Bombay-400 059.

MARKETING ■ H.R.D. ■ TECHNOLOGY

SURVEYS ■ MIS ■ INDL. ENGG. ■ COST REDN. ■ MATERIALS ■ ENGRS. & CONS. ■ PROJECTS ■ SYSTEMS ■ PLACEMENT ■ TRAINING ■ TEFR ■ SWOT

Our client, belonging to one of the largest business groups of India, and **a reputed manufacturer of pesticides,** is expanding rapidly and needs Effective Senior Managers:

COMMERCIAL MANAGER

Ankleshwar-Gujarat

Graduate, 30-35, with 8-12 years of allround commercial (Purchase, Stores, Accounts, Administration) experience in large companies, preferably in a process plant.

R&D MANAGER

PESTICIDES
Ankleshwar-Gujarat

MSc/PhD, 35-45, with 12-15 years exhaustive experience in all facets of pesticides development. He will head the new R&D Centre.

REGIONAL MANAGERS

PESTICIDES
Calcutta/Ahmedabad

MSc/BSc, 30-35, with atleast 6-10 years of rich field experience selling pesticides and managing a large area.

FINANCE MANAGER

Delhi

CA, preferably ACS too, 32-38 ,with in-depth experience in reputed companies of dealing with banks/financial institutions, having clarity of ideas & good communication capability.

Excellent Salary/Perks and Growth Prospects are offered to the Right candidates

Apply giving full details of education, experience, emoluments, contact phone no.& a photograph to:

SYNERGY
Engineers & Consultants (P) Ltd.
82-Hemkunt Colony, Opp. Nehru Place, N. Delhi-48. Ph : 6462984 Fax 6474110

SYNERGY FOR ANALYSIS • PLANNING • ORGANISING

SYNERGY has many openings at managerial level in Process, Rubber, Pharmaceutical, Chemical, Auto/ Engineering & Electronics Industries for Plant/Works Managers, QC/IE, Purchase, Co. Secretaries, Accounts, Sales and Production department incharges. Rush Biodata for these & for inclusion in our **Executive Talent Databank.**

Synergy Engineers & Consultants (P) Ltd., 82, Hemkunt Colony, New Delhi 110048. Ph : 6462984 Fax : 6474110

NICCO CORPORATION LTD.

requires immediately

RESIDENT ENGINEERS *for* CONSTRUCTION SITES

The candidates should preferably be Graduate Mechanical/Civil Engineers with about 10 years experience, out of which 4-5 years should be in the execution of Chemical/ Petrochemical/Fertiliser projects, having good administrative and leadership skills. Experience in the field of piling work, A R Brick, PVC/FRP lining shall be an added advantage. Please apply along with a passport size photograph within 10 days to :

The Sr. Vice President
Nicco Corporation Ltd.
Project Division
2 Hare Street, 3rd Floor
Calcutta 700 001.

Modern Group

We are a multi unit professionally managed textile group with current turnover exceeding Rs. 200 crores and growth plans to take it to Rs. 400 crores by 1994 once the projects at hand are in operation. In order to explore future growth areas, we intend to have a project cell as a 'Think Tank' for corporate planning. To head this team, we need a competent dynamic professional as:

Vice President (Projects)

Bombay based **Age upto 40 years**

The incumbent would be responsible for preparing the corporate plan, project feasibility reports, market surveys and related liaison with Government authorities. Tentatively, the group has plans to diversify into high profitability areas including polyester fibre/filament which may also serve as a backward integration to textile units. He may also advise the management in terms of future down-stream projects.

We are looking for a competent Chemical Engineer, preferably with MBA and sound experience preferably in the above mentioned areas or petro chemical industries. Those with residence and telephone in Bombay would be ideally suitable.

Salary and perks would not be a constraint and would compare with the best in the industry. In case interested, please send your resume mentioning present and past experience; salary drawn/expected, 3 references within 10 days to:

The Executive Vice President (Corporate)
Modern Group of Industries
709 Ansal Bhawan, 16 Kasturba Gandhi Marg, New Delhi-110 001.

CHIEF OPERATING OFFICERS

Northern India **Excellent Terms**

A fast-growing multi-location and multi-business organisation has major diversification and expansion plans on the anvil besides well-established manufacturing, marketing and export operations.

To share in the growth and attain entrepreneurial advancement, the Company invites ambitious and successful professionals to head an independent profit centre and be accountable for performance. The Chief Operating Officers will be responsible for strategic planning, developing marketing thrust, upgrading and expanding existing operations besides diversification.

The candidates should have a background in Technology/Engineering, preferably with Management/Marketing; sound business acumen and ability to lead a team. Preferred age around 45 years.

High-calibre professionals presently heading a profit-centre may forward their detailed Resume in confidence to:

Box No. 775,
BusinessWorld, 6, Prafulla Sarkar St., Calcutta-700001.

ELECTROSTEEL CASTINGS LTD

DUCTILE IRON PIPE PLANT

ELECTROSTEEL CASTINGS LIMITED are putting up at **CALCUTTA** a most modern, highly mechanised, state-of-the art, export oriented Plant for the manufacture of Ductile Iron Pipes for the first time in the country. The Project is already at an advanced stage and the Plant when ready will be comparable to the best anywhere. Indeed, the challenge to the personnel concerned will be to operate this sophisticated Plant without interruption and to absorb the technology speedily. In this context, the Company wishes to engage the following personnel at **CALCUTTA :**

MANAGER (PRODUCTION)	– B.E. (Mech./Met) with 8–10 years experience.
MANAGER (MAINTENANCE)	– B.E. (Mech./Elect) with 8–10 years experience.
MANAGER (ELECTRONICS AND INSTRUMENTATION)	– B.E. (Electronics) with 8–10 years experience.
MANAGER (QUALITY ASSURANCE)	– B.E. (Met.) with 8–10 years of Q.C. experience.
INDUSTRIAL ENGINEER	– B.E. with M.Tech. / P.G.D.I.E. from a reputed Institute. Knowledge of computers in I.E. application essential.
ENGINEERS	– B.E. (any discipline) with 1–6 years experience
SUPERVISORS	– Diploma (any discipline) with 1–6 years experience

The Company is looking for persons with a proven track record in fully mechanised foundries, automatic / semi automatic production lines, rolling mills, forging or spun pipe units. Experience in S.G. Iron production will be an advantage. Freshers also required.

Anyone not prepared to work long hours should not apply. The Company is wishing to recruit only the very best people. Thus, the remuneration package is fully negotiable.

Please mail your resume with photographs immediately to:

ELECTROSTEEL CASTINGS LIMITED
STEPHEN HOUSE, 4 B.B.D. BAG (EAST)
CALCUTTA 700 001

PRESSMAN

INDIAN INSTITUTE OF MANAGEMENT, LUCKNOW

DIRECTOR

Indian Institute of Management, Lucknow was established by the Government of India in 1984 as the fourth national level management institute to help improve the management of corporate, non-corporate and public systems. The Institute is in the process of moving to its permanent campus and is poised for significant growth.

At this critical juncture, the Institute is looking for a person who can steer it towards excellence in all spheres of its activities.

The Institute is looking for a person who can provide academic leadership to a faculty numbering around 40, an able administrator and one who will be effective in external relations, particularly with the client system, the international agencies and the government.

Since the second phase of the campus development will be in full swing, project management experience is desirable.

The basic salary would be Rs. 7,600/- per month plus allowances (present gross Rs. 11,170/- p.m.) as admissible to Central Government officers with a rent free furnished accommodation and a car. Appointment will be for a period of 5 years on contract.

This advertisement is to facilitate a wider choice. Applications may please be sent to Shri Hari Shankar Singhania, Chairman, IIML C/o J.K. Industries Ltd., Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-110002 by **30th June, 1992.** The envelope should be marked "Application for IIML Director".

RASHTRIYA METAL INDUSTRIES LIMITED

We are a well established company manufacturing rolled strips. We have installed sophisticated imported mills, and other equipments of latest designs, for which we have the following vacancies at our works at Andheri (Bombay) :

WORKS MANAGER.

Graduate Engineers (Mechanical/Metallurgical) aged around 35-40 years and proven performers in strip rolling of ferrous and non ferrous metals.

ASSISTANT MANAGER (DEVELOPMENT).

Graduate Engineer/Diploma holders (Mechanical), thoroughly familiar with the design aspects of modern machinery.

ASSISTANT MANAGER (QUALITY ASSURANCE).

Graduate Engineers/Diploma holders (Metallurgical) with a good track record of 3-5 years in a strip rolling plant.

ASSISTANT MANAGER (PLANNING).

Graduates Engineers/Diploma holders (Mechanical/Metallurgical) with exposure to planning in the strip manufacturing industry.

MARKETING OFFICERS.

Graduates with fluency in English and a successful track record in industrial sales, preferably of rolled strips.

For all positions, competence gained through long experience can substitute the requirement of academic qualifications. The remuneration package we provide is attractive and is designed to attract the best talent available. Accommodation can be provided.

Please apply with your detailed resume indicating salary last drawn and expected to:

Managing Director
Rashtriya Metal Industries Limited.
Sir. M.V.Road, J.B.Nagar,
Andheri (East)
Bombay - 400 059.



Clamar

SENIOR PERSONNEL MANAGER

BOMBAY **Attractive compensation package**

Our client, part of a reputed Indian Group, is a leading manufacturer of tyres and wishes to recruit a senior professional to head its personnel function at the factory in Bombay. The current turnover of the Company is around Rs. 250 Crores.

The incumbent will have overall responsibility for managing all aspects of the personnel function covering recruitment, personnel administration, employee relations etc. Industrial relations and union negotiations are key aspects of the personnel function of the Company which has a manpower strength of around 2500. This position is in the senior management cadre and reports to the Chief Executive.

Applicants must be senior professionals from the personnel function with about 10 to 15 years of Industrial experience in a large company dealing with negotiations, industrial relations and personnel management functions. Practical exposure to Labour and Industrial Laws is essential. Post Graduate qualification in personnel management is desirable.

Preferred age : Around 45 years.

The remuneration package will be attractive and will be be in line with the best in the Industry.

Please apply in strict confidence within 10 days to:

A.F. Ferguson Associates
Post Box 1786
Bombay 400 001

giving full details of age, qualifications, experience and salaries drawn. All applications and envelopes should be marked "ref: MS/6017".

CHIEF EXECUTIVE

FINANCIAL SERVICES COMPANY

BOMBAY

Attractive compensation package

Our client, a well established and reputed Indian Group wishes to set up an independent financial services company to service its own group operations as well as others. The group has an impressive track record and there are active plans for diversification and expansion to double its turnover in 2-3 years.

The CEO will set out the activities of this new company and direct its entry into new areas of financial services. He will have complete authority to chart the company's future growth plans. He will report to the Group Chairman.

Candidates must be finance professionals with specialised exposure to the entire gamut of financial services.

Preferred age : Around 40 years.

Compensation Package will be very attractive and would include performance based rewards and incentives.

Please apply in strict confidence within 10 days to:

A.F. Ferguson Associates
Post Box 1786
Bombay 400 001

giving full details of age, qualifications, experience and salaries drawn. All applications and envelopes should be marked "ref: MS/6016".

Our clients are a wholly owned subsidiary of a large, reputed joint sector Company based in Gujarat. They have ambitious diversification and expansion plans for execution in the near future. As a part of the effort to strengthen their top management team to meet new challenges, they require :

ASSISTANT GENERAL MANAGER

(CUSTOMER SERVICE) (LBS/592)

This is a key position and the incumbent will have independent responsibility for organising servicing activities and sales of Spare parts of auto products of the Company. He will also play a key role in product evaluation and provide feedback to the Product Development Group to enhance reliability and effect product upgradation.

Candidates possessing a degree in Automobile/ Mechanical Engineering and having minimum 15 years of experience in the service department of a reputable Scooter/Motor cycle manufacturer may apply. They should be conversant with expeditious disposal and control of warranty claims through Computerised System. Some exposure to manufacture/quality control/product development functions is desirable. The selected person shall lead and guide a team of service engineers and maintain rapport with service and spare part dealers for utmost customer satisfaction.

The Company offers a challenging work environment and excellent opportunities for career advancement. Emoluments will not be a constraint for the right type of candidate. Suitable residential accommodation will be provided.

Please apply with a detailed copy of your bio-data quoting the above reference number within 10 days to :

PERSONNEL SEARCH SERVICES

45, Bajaj Bhavan, Nariman Point,

Bombay-400 021. Tel: 202 7207, 202 2885, 204 6528.

PRESIDENT

Tough Terrain

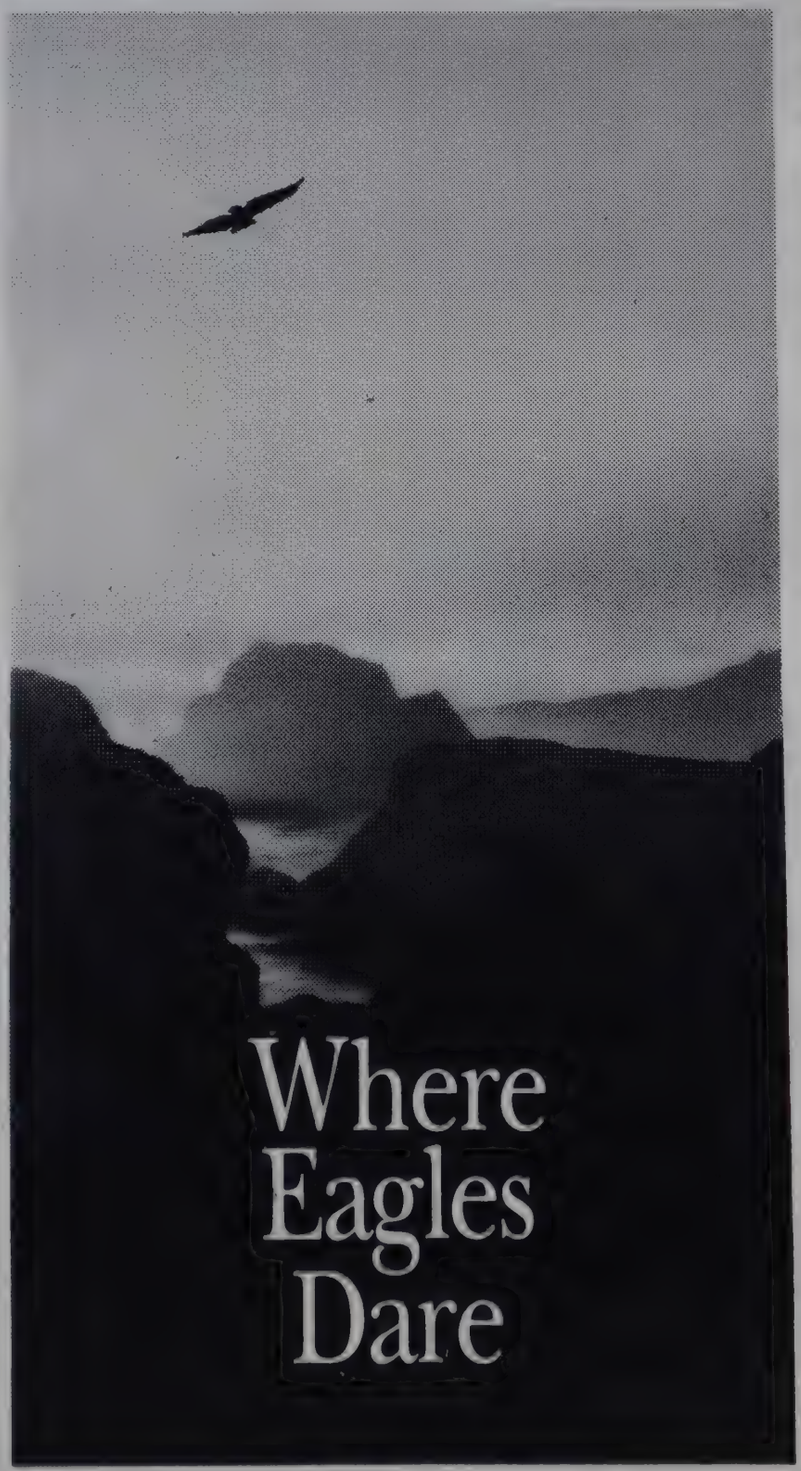
Competitive Environment

Challenging Task

Promoted by **Madanapalle Spinning Mills Limited,** an existing listed Public Limited Company with a turnover of Rs. 33 crores, **Cheslind Textiles Limited** is to be a Rs. 50 crore state-of-the-art, 100% EOU for manufacture of combed cotton yarn. The area is high-tech, standards are international and the location is Hosur, Tamil Nadu, 40 Kms from Bangalore. *Tough Terrain.*

Cotton yarn exports. Inspite of a growing world demand, the competition is fierce. In this scenario, what matters, is the ability to spot an opportunity early and move in. What it really calls for is an eagle-eye. *Competitive Environment.*

Cheslind Textiles Limited, needs a ***President.*** One who can build an organisation from scratch and impart to it, the value system necessary to achieve excellence. Set and accomplish ambitious goals. Optimise resource utilisation and lead the organisation to achieve superior results. *Challenging Task.*



THE CANDIDATE.

The candidate should ideally have an enviable proven track record, not necessarily with a background in textiles.The drive and energy to conceive and execute a strategy of growth and superior profitability. The ability to implement and manage the project as an independent profit centre.

Someone who will go only where eagles dare.

cheslind

CHESLIND TEXTILES LIMITED

QUALITY COUNTS

877, Binnamangala, Ist Stage, Indiranagar, Bangalore - 560 038 Phone : 584845. Grams : CHESLIND

CHESLIND TEXTILES LIMITED IS PROMOTED BY MADANAPALLE SPINNING MILLS.

CLEA (BLR)

APPOINTMENTS



Our client is a dynamic, well established business house in Nigeria, having offices in London, Hongkong, Bangkok & Taiwan. In Nigeria they have textile mills, plastic and pharmaceutical manufacturing units and are one of the leading traders in commodities, plastics, consumer electronics, pharmaceutical, food and office automation products. Present turnover in Nigeria is over USD 60 million.

CORPORATE FINANCE CONTROLLER

LAGOS, NIGERIA **VERY GOOD SAVINGS**

Incumbent will be overall incharge of finance and accounts department. He will be responsible for fund management, negotiations with banks for foreign exchange (company deals with 14 banks) L/C openings & loans, MIS & computerisation, developing & implementing internal controls in Nigeria and overseas offices. He will be an active member of the corporate think tank. He will be supported by 2-3 expatriates (mostly Chartered/Cost Accountants) and local Nigerians.

An ideal candidate is expected to be a Chartered/Cost Accountant or MBA Finance with at least 10 years experience of which 3 years must have been at a senior level in finance/treasury department. Excellent communication & PR skills are must and exposure to import/export & forex will be a definite advantage.

Company offers liberal local salary + fully furnished accomodation, car, driver, medical assistance, passage for self and family apart from very good tax-free offshore savings.

Courier your CVs (to avoid postal delay) quoting Ref. No. RJC/F – 5045 to:



DATAMATICS STAFFING SERVICES
Eucharistic Congress Bldg 3
5, Convent Street, Colaba
BOMBAY-400 039.

Diason

WE SHAPED OUR TECHNOLOGICAL LEADERSHIP.

Somany Group consists of Hindustan Sanitaryware & Industries Ltd., Hindustan National Glass & Industries Ltd., Somany Pilkington's Ltd., Soma Textiles & Industries Ltd etc., with a turnover of Rs 400 crores. The Group has majority of its products as market leaders in India with sizeable exports. They have ambitious plans for expansion. The Group is looking for **SENIOR EXECUTIVES** who would be required to formulate and execute future plans of the Group. The Group is open for acquisition, as part of strategy. The Group's thrust areas for new projects would be in the fields of :

- Agro based products
- Cement
- Chemicals
- Fertilizers
- Steel
- and other 100% EoUs

For the Corporate Planning Division based at **Delhi,** they require :

SOMANY-PILKINGTON'S LIMITED

HINDUSTAN SANITARYWARE & INDUSTRIES LIMITED

NOW LET'S SHAPE OUR FUTURE TOGETHER.

VICE PRESIDENT
DIVERSIFICATION

He should preferably be an Engineer and must have an MBA from an Institute of repute. He should have a minimum of 15 years of experience in Industry, out of which atleast 5 years should have been in Corporate Planning/Projects/Diversification. He must have experience in conducting techno-economic feasibility studies and market research work. He should have previously dealt with Government Bodies, Financial Institutions and Commercial Banks. International exposure would be an advantage. Age should be less than 45 years.

MANAGERS
PROJECTS

Candidates should be Graduate in Mechanical/ Chemical/Agro Engineering. Post-Graduate qualification in Management would be preferred. Should have atleast 7/8 years' experience in Project Planning/ Diversification. Candidates presently in project execution but with previous background of project planning may also apply. Age should be less than 40 years.

MANAGER
CORPORATE FINANCE

Should be a CA/MBA from an Institute of repute. Should have atleast 7/8 years' experience in all financial aspects. He would be required to handle the Group's project financial activities which will include co-ordination with Financial Institutions,Government Bodies and Commercial Banks. He would also be required to assist the Group Companies in their Corporate financial matters. Exposure to International Financial Institutions/Banks would be an advantage. Age should be less than 40 years.

Remuneration would be as per industry standards. Interested candidates may please apply giving full Bio-Data together with a passport-size photograph within 10 days to :

T Narasimha Rao
Management Consultant

N R Associates
G-5 Srinivasa Towers,Begumpet
Hyderabad - 500 016
Tel (0842) 212753
Fax (0842) 825167

SOMANY ENTERPRISE
Making technology pay

SOMA TEXTILES & INDUSTRIES LIMITED

HINDUSTAN NATIONAL GLASS & INDUSTRIES LIMITED

R K SWAMY/BBDO NRA 789 92

Procter & Gamble

We are embarking on a major expansion of our R & D efforts which involves a broad range of activities in Product Development. We require a :

MANAGER MEDICAL AFFAIRS

We are looking for an individual to assume responsibility for all Medical Services including preparation of documents for products registration, review of promotional material, monitoring compliance and interpreting regulations for the management. In addition, the candidate would be required to interact extensively with regulatory agencies both on a local and national level, covering a broad range of topics including Industrial Hygiene and Safety.

Reporting to the Director of Research & Development, the candidate will work closely with outside consultants and key individuals within the organisation for regulatory support of marketed products and new products. The candidate we seek must have a post-graduate degree in Medicine and 3-5 years' experience in the pharmaceutical/consumer products industry. He/she must have excellent organisational and oral/ written communication skills.

Qualified individuals should send their detailed curriculum vitae to:

The Product Development Manager,
Procter & Gamble India Ltd.,
Health Care Research & Development Laboratory,
Thane-Belapur Road, P.O. Box 90,
Thane 400 601.

Clamar

Blue-collared technologists are taking over the shopfloor.

A NEW WORK CULTURE



High technology demands a highly skilled workforce

When the Bombay-based multinational Cadbury India set up its third chocolate factory at Malanpur four years ago, it broke tradition in more ways than one. For the first time it opted for imported machines on one of its two production lines. But, more important, the chocolate giant turned its attention to a new resource: skilled manpower on the shopfloor. So it recruited only Industrial Training Institute (ITI) alumni. "The level of education of employees was increased deliberately to match this technological jump and the consequent higher expectations about delivering," says Cadbury general manager (operations) Niraj Goyal.

Cadbury India is not the only corporation that's consciously upping employee educational levels and skills. Procter & Gamble's (P&G's) factory in Andhra Pradesh's Medak district has 45 skilled and semi-skilled staff, along with six managers, to operate a state-of-the-art plant for manufacturing and packing Vicks Vaporub and Vicks Inhalers. "Most of our employees have spent at least a couple of years in college, except for the material handlers. For other positions such as office assistants and above, the minimum qualification is graduation," says P&G personnel development manager Ronald M. D'Souza.

Welcome to the era of the high-skilled worker — technically qualified men and women who work hands on in factories. As globalisation spreads and the ISO 9000 quality standard looms large on the corporate horizon, companies across the board are finally beginning to take the production game seriously. And as volumes get bigger, they are realising that production is not a game for slapdash amateurs but for professionals who have a basic understanding of products and processes.

A sea change. Years ago, technologists and engineers would at best be back-room boys with tables spick and span when they left the factory at 5.30 pm each day. That's no longer the case. "Earlier, we were in a seller's market. Everything we made sold. So, it was the marketing strategy which was

more important. Production always took a backseat," says Delhi-based Electronic Circuits India Ltd (ECIL) chief executive Debasis Sengupta.

Today, shopfloors are witnessing a sea change. In this topsy- turvy process, production could be a company's best asset. One example: the Delhi-based Rs 250 crore pharmaceutical giant Ranbaxy Laboratories. Out of the 271 non-management staff working hands on at its six state-of-the-art manufacturing plants, five are management graduates, 24 are diploma holders, 227 have post- graduate degrees in science, pharma, commerce or arts, two are doctorate holders, seven are law graduates and three have M. Phil degrees. "India is going through large-scale technology upgradation. So, upgradation of skills is a logical second step," says Ranbaxy assistant vice-president (human resources) P.K. Sarangi.

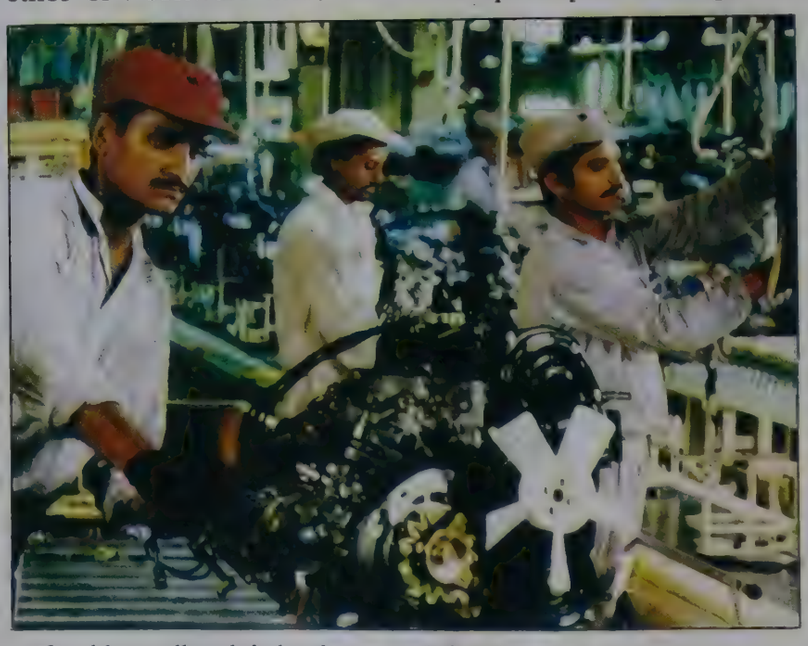
Over the past decade or so, there has been a qualitative difference in the job requirements and work ethos of the skilled worker. His responsibilities have been upgraded from merely maintaining complex technological systems to planning, design and production. And methodical and repetitive work has been replaced by inter-disciplinary jobs in engineering, calling for skills in advanced computing, data management, diagnostics, automation, materials technology and energy systems.

Cut to Siemens' ultra modern electronics factory at Nashik. It manufactures hi-tech control and automation systems for almost every industrial application. There are instrumentation and controls for power plants, microprocessor-based protection relays, energy management systems for network automation and process computers. For all this, the quintessential input is skilled manpower. "Nearly 37% of our team is made up of engineers and 44% of skilled workers," confirms Siemens' executive vice-president (personnel) S.S. Muzumdar.

Recognising the need of the industrial electronics industry for 'knowledgeable workers,' Siemens has even set up a vocational training centre at Nashik. Fully equipped with the latest training ware and infrastructure, this centre imparts both classroom and on-the-job training to apprentices for three years.

Updating workers' skills. Even Delhi-based motorcycle manufacturer Hero Honda believes in constantly updating its workers' skills, so much so that from next year it will be running a full-fledged training centre near its factory at Dharuhera, about 70 km from Delhi. "Experience on the shopfloor does not mean only working on the machines. It means, best utilisation of resources to cut costs and increase productivity," says Hero Honda vice-president (operations) Amit Chaturvedi.

The change in corporate attitudes has come about in the past few years — and the transformation is across the board. The most significant changes have come about in new companies like Silicon Valley Technology. This software firm, which set up shop in the Noida Free Trade Zone last year, has a total staff strength of 55 — all diploma holders or more.



The 'blue-collar' label is being redefined

So dramatic is the change that it's reflected in an emerging phenomenon: many of the older industries are dumping unskilled manpower and opting for a more skilled workforce. A case in point is the Steel Authority of India Ltd (Sail). Over the past four years, this public sector giant has replaced nearly 20,000 unskilled and semi-skilled workers in its plants with a smaller number of better-qualified personnel. "Most plants today are either automated or semi-automated. Running them requires better- educated persons," says management guru Mrithunjay Athreya.

Clearly, as competition, especially from the multinationals, begins to swamp the Indian market and customers demand quality, the best marketing tool that the firm of the future will have is the shopfloor. For, undeniably, production managers and workers can spot problems and rig up solutions that no marketing whiz can. "As we are forced to reach a certain quality standard in the next 7-8 years, companies will be forced to look at a different sort of management with technical people at the top," says Sengupta.

Obvious advantages. This may be an exaggeration, but there are certain obvious advantages in hiring skilled manpower for the shopfloor. To begin with, a skilled worker is philosophically expected to display a richer job design, thus leading to a greater degree of self-control at his workstation. He can handle production, maintain his own equipment and suitably repair machines when the need arises. The net result: a high degree of productivity and a low rejection rate.

At Hero Honda, a unique exercise has been started to cash in on the skills of its qualified manpower. Depending on the specialisation, many of the ITI-trained workers are being encouraged to take on routine shopfloor activities earlier handled by engineers. In the past two years, about 60 workers have been promoted to the assistant foreman level while engineers have been moved to more sophisticated planning and monitoring tasks. "Our value added per worker has increased from Rs 2.9 lakh in 1990-91 to Rs 3.26 lakh in 1991-92," says Chaturvedi proudly.

The growing importance of skilled workers has also sparked off possibilities for multi-skilling on the shopfloor. For instance, an ITI-trained fitter can be transferred to engineering maintenance tomorrow and vice-

versa. At Hero Honda, this has not only jacked up productivity per worker but also helped to keep total direct employment costs at 0.8% of sales. At Maruti, the wage bill stands at 2% of total sales.

Undoubtedly, the bottomline is costs. Yet here too there is another advantage. An ITI-trained worker or a diploma or degree holder from a polytechnic or an engineering college will know exactly what to expect when he walks into a factory. This is crucial in an environment where automation has brought with it certain basic rules of discipline, hygiene and a professional work culture.

In Ranbaxy's dustfree and humidity-controlled formulations' plant at Dewas, there is a high code of hygiene. Apart from sterilised gowns, gloves and caps, the workers have to get their nails checked and hair cropped neatly. And, of course, food is a no-no.

That scenario is repeated at Cadbury's Malanpur plant where everyone has to bathe and wear a uniform before entering the factory. "It is only possible to instil such codes of discipline in those who are educated and can understand their importance," says Niraj Goyal.

With such benefits on tap, most companies are scouting for skilled workers to keep in step with the times. Last month, an International Finance Corporation (IFC) paper stated that cheap, unskilled labour is no longer a major attraction for foreign investors. The reason: in many industries, direct labour costs now only account for 10-15% of manufacturing costs.

On the other side of the fence, yet another phenomenon is discernible. Encouraged by the liberalised environment, many young engineers and scientists are now returning home to glorify the advantages of hands-on experience. When Debasis Sengupta, an electronics engineer from the Indian Institute of Technology (IIT), Kharagpur went to obtain a doctorate in engineering at Texas University, he was a theoretical whizkid. Then he joined Honeywell Co in the US and for six years only learnt how to learn constantly. Today, as chief executive of the Rs 5-crore ECIL, which manufactures printed circuit boards, he still goes to the factory to monitor the nitty-gritty of production and even sits at the packing table, actually wrapping products. "Working in a factory is intoxicating. Once you work in a factory you cannot work in an office," he says.

A new trend. As industry wakes up to the new trend, and engineers and technologists shed their inhibitions and step on to the shopfloor, there are interesting fallouts. The Confederation of Indian Industry (CII) is actively participating in two World Bank-assisted projects for upgrading polytechnics, the ITIs and the Advanced Training Institutes (ATIs) — each worth $400 million. Ten polytechnics and ITIs have already been identified. "All this will ensure that in international bidding, Indian industry is given a fair chance," says a CII spokesman.

A CII survey 'Hi-tech Educational Aids in India' estimates that 1,000 new industrial units will be set up every year in India, employing 80,000 people. Of these, roughly 25% will require specialised training in computer-related areas and instrumentation. This works out to a requirement of 0.10 million trained personnel over the next five years. So, the total requirement of trained manpower (for existing and new units) in the industrial sector is expected to be 0.13 million between 1990 and 1995.

By today's standards, meeting this demand will be a tall task. Not because there are few qualified people around, but because salaries and factory sites can prove to be deterrents. Even now, production workers in most companies are grudgingly paid decent salaries and they, too, sitting in cooped-up environs, have not realised their worth. So an average worker at Hero Honda takes home about Rs 2,800 every month, including incentives, while a graduate engineer earns about Rs 3,200 each month. And a technician at Maruti Udyog gets a monthly sum of Rs 3,500.

Moreover, most factories are situated several miles away from cities, which not only creates family problems but also blocks professional growth. Companies such as Hero Honda and Ranbaxy are trying to solve the problem by setting up schools, hospitals and clubs in the vicinity. "We are always trying to instil excitement in the work environment; otherwise there is a danger that the worker may fall into a rut," admits Hero Honda's Amit Chaturvedi.



The demand for trained workers is escalating

Most companies are also spilling a substantial amount of money on decor. As Athreya puts it: "Most of the modern factories today look like sanitised hospitals, beautifully designed and landscaped. At the Ranbaxy factory at Dewas, you almost feel as if you are entering a garden of flowers."

Small perquisites, but they will surely go a long way. And as more and more engineers and technologists step on to the shopfloor, one thing is clear: in the years to come, skilled workers will be one tribe that is bound to multiply and prosper.

□ Mahasweta Ghosh Roy

SUPER SUNDAE

It was every schoolboy's (and girl's) dream come true: a *mountain* of ice cream! And free!!

Bombayites turned out in thousands to feast on Vadilal's "Mount Sundae Record-Buster" — and, make no mistake, Mum 'n' Dad had just as much fun as the kids. Together, they devoured 3,600 litres of the stuff (chocolate, strawberry and vanilla; Vadilal's hallmark *desi* flavours were missing), laced with 360 litres of assorted sauces, 50 kilos of nuts and a solitary cherry, while a live band played *Ice, Ice, Baby.*

The super-sundae looked like the creation of a Pharaoh reincarnated as an Eskimo, but nobody was expecting ice sculpture, anyway. Its size was good enough to fetch Vadilal an entry in the *Limca Book of Records*, and plenty of publicity, to boot.

The ad campaign that preceded the extravaganza invited all comers to "eat your way into history". And the Sundae... Oops!... Sunday crowd lapped it all up with relish. Says Vadilal marketing manager Atul Sinha: "It was 10 o'clock at night by the time everybody got their scoopful." And it will be a long while before Bombay stops talking about the event.

That should give Vadilal's competitors something to think about. Kwality, Cadbury, Milkfood — who's next?

Golden glacier on Mount Sundae



DIAL-A-MANGO

Picture this: You're visiting Bombay on work and the Missus has made it clear you cannot return home without a boxful of the famed Ratnagiri Alphonso. But it's beastly hot outside; you don't want to go out and haggle with ill-mannered fruit vendors.

Problem? Not at all. Just dial M for Mango.

Er... not literally, of course. Actually, the number is 6407292. You can have the best Alphonsos delivered to you anywhere in Bombay, at a mere Rs 80 a dozen — which, incidentally, is the smallest order you can make. Steep? But of course. After all, we're talking about the king of all fruits; and royalty never comes cheap. Just be glad there's no extra delivery charge.



Great service, hair-raising prices

The service is provided by Ahmednagar-based Western Fruit & Vegetable, through its Bandra distributors, Turant Foods. The box we ordered contained some of the finest specimens of Alphonso we've ever had, and in perfect condition.

Oh, one other thing: the offer's open only as long as the season.

HAIR AND LOVELY

As the mercury touches new highs, fashionable long hairdos are sacrificed for the shorter, cooler look. While most of us mere mortals make do with the neighbourhood saloon, the rich and famous flock to barber shops at the five-star hotels.

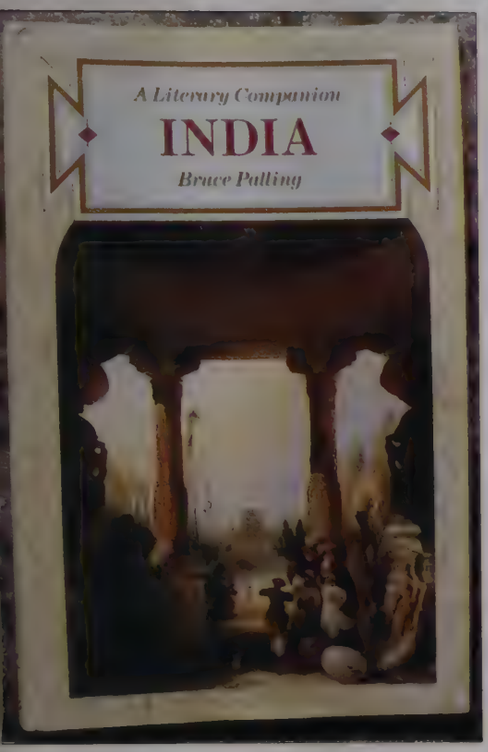
And pay five-star prices, naturally. Cropping your mane at Bombay's Oberoi Towers or Taj Mahal can set you back by Rs 50. For some reason, it's more expensive in the suburbs. Be prepared to pay Rs 10 extra at the Leela Kempinski and the SeaRock Sheraton. We've got this theory that you get better haircuts at fancy joints because the prices make your hair stand on end — and make it that much easier for the barber!

Warning: if you let the chaps talk you into something more than the standard cut and shave, first do a financial survey of your wallet. Carrying plenty? Fine. Now try the *nouvelle coiffure*. There's hair colouring (Rs 200 at the Taj), which is different from dyeing (Rs 150 at the SeaRock). If you want to make the growth on your chin stand out, how about a beard perm (Rs 150 at Leela Kempinski), or straightening (Rs 160)?

And then there are the head perms. If you think that's only for the ladies, you're in for a surprise. A full head perm at the Leela costs Rs 260, while a 'half-head' job can be had for Rs 185 — this last service is, presumably, for the balding!

While you're about it, go the whole hog and treat yourself to a pedicure and manicure (Rs 50-75). Now pause in front of a long mirorr to admire the well-groomed you.

DEMYSTIFYING INDIA



(By Bruce Palling; Rupa & Co; 1992; pp 264; Rs 295.)

Bruce Palling's book gives us much more than its title promises. It is not just a compilation of samples from literary texts dealing with India; its encyclopaedic range includes religion and political tracts, newspaper articles, personal correspondence of travellers, survey reports, even memos sent by administrative officers to their subordinates, all of which reflect a rich variety of attitudes and perspectives on the Indian reality and provide valuable insights into it.

Most of the literature written about India in the twentieth century has concerned itself with British rule in India. So one expects a volume like this to provide an assortment of "Raj" literature, which it does, with considerable extracts from Kipling, Forster and Paul Scott. The insulated world of the residencies, the viceroy's palace and the Simla mall. The world of eccentric rajahs' parties, "punkhas" and "bandobasts" continues to fascinate post-colonial minds.

But what comes as something of a surprise in the book are the actual documents, such as Queen Victoria's letter to Lady Canning expressing her scepticism about reports of atrocities committed by the mutineers and her reluctance to punish them. Equally interesting is the letter of Jacquemont, a French traveller, recounting his brush with royalty. He has disarmingly candid views about Ranjit Singhji's supposed impotency. Dyer's self-assured report to his superior after the Amritsar massacre and Wavell's brilliant parody of Lewis Caroll's "Jabberwocky" which he calls "Jabberweeks" provide rare insights into the imperialist psychology.

A balanced account. Enough of the extracts of the book have been taken from the accounts of foreign travellers like Marco Polo, Ibn Batuta and Richard Burton, and as such represent the outsider's view of India. Palling balances these accounts with the writings of Nehru, Gandhi, Premchand and Tagore which reflect the Indian's view of himself. We look at India through the eyes of an expatriate like V.S. Naipaul, 'the unknown Indian' (Nirad C. Chaudhuri), the sojourning foreigner (Forster) and the native Indian who expresses India through a foreign tongue (R.K. Narayan or Khushwant Singh).

Palling skilfully plays off one perspective against the other, interspersing the extracts with intelligent observations which reflect a balanced and rational outlook and a deep familiarity with an understanding of the Indian situation. His is certainly not the voice of an outsider, and he makes a genuine effort to demystify India, using wry humour to deflate many of the grandiose accounts.

He reveals the reality of the "hippy" phenomenon, the nuisance that godmen create, the disastrous consequences of the partition and the ominous portents of Hindu revivalism.

The book is not just another pleasant excursion into nostalgia. It gives us thought-provoking analysis of the Indian experience and helps us re-evaluate our status as Indians.

□ Paromita Chakravarti

A PAINSTAKING STUDY

(Wage Labour and Unfreedom in Agriculture; By V.K. Ramachandran; Clarendon Press — Oxford; 1990; pp 320; Rs 375.)

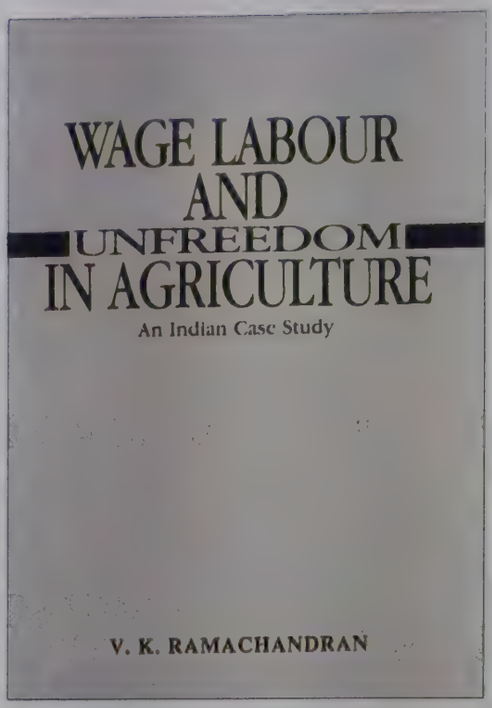
The degree of positive freedom enjoyed by humanity has been the subject of considerable debate since the publication of the Human Freedom Index by the United Nation Development Programme (UNDP) in its *Human Development Report 1991*. Enormous clouds of controversy limit the feasibility of reasoned discourse because a consensus on measures of human freedom is yet to emerge. Ramachandran's WIDER-sponsored research is an interesting and insightful contribution to the growing literature on human freedom because it analyses issues from first principles. 'Freedom from what?' and 'Freedom for what?' emerge as basic concerns in this enquiry into the conditions of life and work of agricultural labourers in India.

The editors of Clarendon Press deserve kudos for this publication that reflects them at their discerning best even before we compliment the author and WIDER for this painstaking study now available to a truly wider readership (pun intended!).

This work draws heavily on the experience of agricultural modernisation in the Cumbum valley of Tamil Nadu. The author makes a distinction between a wage labourer who is propertyless and free to sell labour power to an employer of choice and a

bonded labourer 'unfree' to choose an employer. Empirical evidence cited by the author points to the existence of numerous shades of grey in between. Drawing inspiration from classical Marxist writing, the author uses the expression 'unfreedom' to typify a pre-capitalist characteristic of hired labour that has remained an enduring feature of agrarian relations in Indian society till date. The prevalent structure of property rights, extreme poverty, staggering inequality in villages, and the general absence of democratisation of village life together with extension of monopoly over land emerge as the main factors that perpetuate the unfreedom of the past into the present, and possibly into the future as well.

Institutionalised rights. Labourers form a social group not only in the act of labour but also in their relations to the village system as a whole and to the group of property owners in particular. The nature of indebtedness and the varieties of bondage or 'unfreedom' are closely related. The freedom of employment is essentially the freedom to dispose of a resource, that is, labour power and the extent to which demands on it exist already in



forms sanctioned by society. Ramachandran has analysed the demands on labour and the demand for labour brilliantly to highlight that economic forces are severely restricted by institutionalised rights in village societies based on perception of property ownership and an assumed hierarchy of rights in which the freedom over exchange of labour power is greatly restricted, socially, economically and politically, without the aid of legal sanction, and at times in complete disregard of it.

The author lists a number of reasons that combine with poverty and unemployment and work against the dissolution of unfreedom in employer-employee relations.The imperfect development of wage labour is a result to be viewed as a symptom of the deeper social malaise that afflicts agrarian society caught with characteristics of different historical stages through which agricultural labour passes on this long road to becoming free to offer labour.

While the book dwells on one aspect of Indian society, no part of our society is entirely free from the assumptions that characterise the dominant employer-employee interface in agrarian relations that have percolated in myriad ways and sophisticated forms to other sectors such as industry and services. The book has therefore even more to offer than intended by the author.

□ Ajeet N. Mathur
Mathur is a professor of personnel management & industrial relations at IIM — Calcutta.

PAEAN TO PITRODA

(Sam Pitroda; by Mayank Chhaya; Konark Publishers; pp 317; Rs 250.)

Biography is a difficult genre of literature, and it is particularly so when the subject is living and contemporary. Clinical and objective assessment loses out to adoration. This book confirms this feeling.

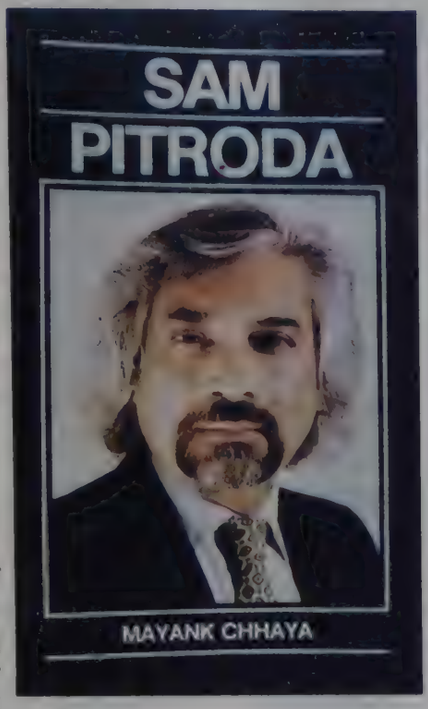
Until he blazed his trail in India, Sam (Satyanarayan) Pitroda was relatively unknown here, though by then he had acquired both formidable fame and fortune in his adopted land, the US. At 38, he was already a millionaire, with an impressive list of telecommunication-related patents under his belt, and earning an annual pay cheque of half a million dollars, plus, plus. For a person of somewhat humble origins, as the book claims he has, this record of achievements is nothing short of spectacular.

Why does a person decide to give up all this and step down from cloud nine to return to an uncertain future in India? Except that Pitroda had always wished to do something for his country and that he was a man fired with missionary and visionary zeal, the book does not offer any insight otherwise. Pitroda felt: "Indian telecom needed a complete overhaul," and he was the chosen agent to do it. As simple as that.

And here the author would have us suspend our belief and abandon our logic for a trice. He suddenly springs upon us an astonishing parallel between Mahatma Gandhi and Pitroda. Both left their home and country to seek fame and fortune in a foreign country, both returned to serve the old country — the Mahatma with his *charka* and Pitroda with his *chips*! Admiration is understandable, but unabashed adulation? Fortunately, this contrived analogy was not carried further.

Fortuitious meeting. A fortuitious meeting with the late Rajiv Gandhi in 1980, followed by a presentation to the late Indira Gandhi, then prime minister, set him on his future course in India. By April 1984 the centre for the development of telematics (C-DoT) was established with Sam Pitroda as its chief. He was to prepare a blueprint for the future telecommunication technology and network for India and implement it — and keep the multinationals at bay.

Sam Pitroda succeeded in his mission but only partially. He had given himself an optimistic three years for a complete transformation to modern technology, which by itself was a tall order. One cannot really cavil at Pitroda's failure to deliver as promised



because his achievements in India at C-DoT are, by any yardstick, fairly enviable. And yet something did go wrong. What exactly?

M.V. Pitke, one of the founders of C-DoT, while claiming in 1991 that the centre had achieved a high 90% of what it had set out to do, laments that it was "dying because it no more has a vision." How was the vision lost? Is it because of the fall of Rajiv Gandhi who was both a strong friend and supporter of Pitroda and neglect by the successor regime? Though Pitroda's now celebrated confrontation with minister Unnikrishnan has passed into history, it is often cited as the beginning of C-DoT's decline. According to this biography Pitroda was an innocent victim. But was there any provocation from him? A close friend of his has gone on record as saying: "His (Pitroda's) weakness is that he is a blabbermouth." Can that be the reason? At any rate C-DoT, and with it Sam Pitroda, appears thereafter to be fading out. The once mighty and illustrious leader of C-DoT was subjected allegedly to harassments, humiliation and, most deplorably, canards. All these built up tensions which ultimately led to cardiac by-pass surgery, and Pitroda has not been the same man again.

What did Pitroda achieve for the country? Considerable, going by the book. He created a first rate organisation of hi-tech research, found and nursed young talent, and put India on the map of state-of-the-art communication technology. But his own creative genius seems to have dried up in the arid land of Indian bureaucracy, because one searches in vain for an Indian patent amongst his impressive list of international accomplishments.

Mayank Chhaya's work is painstakingly researched, but it remains a record of a faithful and loyal camp follower. Like most Indian biographies this book is long on sympathy and admiration, but short on critical and incisive analysis. Sam emerges from this book as an almost flawless gem. For some time now Pitroda has assumed a low profile, whether by his own choice or forced by circumstances one does not know. But if this continues for long it will not be surprising if someone a generation later asks, "Sam Pitroda, who?" Perhaps that would have been the proper time for this book to be written.

□ Sukhendu Ray

Ray sits on the boards of several companies.

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Sumati Morarjee

A WOMAN OF SUBSTANCE

She was born in the wrong place at the wrong time. Jamuna Goculdas grew up in an India that forbade her daughters from even so much as discussing business. She was brought up in the traditional Hindu custom, received no formal education, and was married at 13.

Until then, she hadn't done — or perhaps wasn't allowed to do — anything that would set her apart from any other girl of her times. Her marriage to Shantikumar Morarjee would change that. To millions of other Indian women, the tying of the knot marked the beginning of a life that amounted to little more than slavery. For the young Jamuna, it was just the break she needed.

And it was Shantikumar's father, Narottam, who made the difference. Morarjee senior gave her a new name, Sumati, and a new persona. He wasted no time initiating her into his companies. He took her along on official trips, introduced her to associates and advised her on myriad matters of commerce and industry. He would live only seven years after the marriage, but that was time enough to train the teenager in the art of business. Now 83, Sumati Morarjee remembers her father-in-law as the man who changed her life: "He treated me as a second son."

By the time she was 19, Sumati was already working full-time in the family's textile mill. But her ambitions lay in the Morarjee flagship company, Scindia Steamship. "I'd tell him (Narottam), 'Make me a director in Scindia,' but he'd say, 'You're too young.'"

When Narottam died in a car accident in 1929, he left a will nominating his son and daughter-in-law as partners in the managing agency (holding company, in today's terms) in charge of Scindia; the necessary qualifying shares he bequeathed to Sumati.

Although she did not become a member of the board of directors of the Scindias until 1940, Sumati started taking a keen interest in the company.

Shantikumar on the other hand was in favour of selling the business. "He used to call me a *chakram* (madcap), saying, 'Isn't there anything else to life but shipping? But it was my family's company. I knew that I had to work for it."

Slog is more appropriate. The dice were loaded heavily against her; the cutthroat world of international shipping was no place for a woman (and certainly not an *Indian* woman) to be in. But she learned how to get her way.

She also made influential friends — Mahatma Gandhi, Jawaharlal Nehru and Vallabhai Patel among them. The Morarjee home, "Palm-Bun" in Juhu, frequently provided shelter to freedom fighters. Juhu was still something of a wilderness, largely inaccesible, and was therefore a perfect hideaway from the police. Sumati played hostess to socialists friend like Jayaprakash Narayan, Achyut Patwardhan and Aruna Asaf Ali during the Quit India movement. Gandhi spent two long sojourns there, first in 1924, to recuperate after his appen-

MORARJEE AT PALM-BUN: *Home is where the berth is*



dicitis operation and then again in 1944, after his release from detention in the Aga Khan's palace in Pune. In fact, the locality is now known as "Gandhigram."

Two years after independence, Sumati achieved a lifetime's ambition: she became chairperson of Scindia. For the next 20 years, she would steer the company through crest and trough, fighting competition abroad and government at home with equal zest.

Her first major success came in 1953, when she attended the Karmahom conference for world liner trade in London, becoming the first woman ever to do so. "I broke the tradition; no woman, not even a lady typist, was allowed to attend these conferences. But I knew I had a right to go. And I am a very good fighter."

Her ability to fight for what she wanted would be tested at the conference, where all the world's biggest shipping tycoons would seek to carve the international market amongst themselves. Before leaving for London, Sumati paid a visit to her old confidant, prime minister Nehru. "What share of the world trade should I ask for?" she asked. "Ask for 50%," Nehru replied.

What followed is now part of shipping history. Says Sumati: "I thought 50% was unreasonable, but Panditji remained firm. So I resolved to do just that." She made her intentions known in London and, sure enough, received plenty of attention. Soon, the heads of two of the world's largest liners sent her a message, asking her to pay them a visit. "Everybody said I should go to them. But I said, 'If they want to see me, let them come here.'" Taken aback by what they considered to be impertinence, the two chiefs didn't acknowledge her reply for a while.

Then curiosity got the better of them. Says Sumati: "Their offices were across the road from mine. But, instead of walking, they sat in their Rolls Royces — they had trouble turning around in the small road!" By the time the meeting was over, the two gentlemen were thoroughly impressed by the gutsy, straight-talking Indian woman. She didn't get the 50% share, naturally, but Scindia got enough business for 12 ships. Nobody in Indian shipping expected her to get even half as much. That was the last time her rivals ever underestimated Sumati Morarjee.

After the Karmahom conference, she was accepted as "one of the boys" by rival shipping magnates. In due course, they would accept her as their leader. The Indian National Steamship Owners' Association elected her president for the first of many terms in 1956. It was under her command that shipowners would fight the government over the Wealth Tax Bill (1957) and the Merchant Shipping Bill (1958), both of which would have exposed the industry to foreign competition in its home waters. On both occasions, she emerged victorious.



Her own career — and the fortunes of Scindia — would go through as many ups and downs as the shipping industry itself. But Sumati didn't judge success and failure in terms of turnover or profits. "In its first three decades (1919-1949), the company's tonnage had reached the 1,68,762 mark. And during my tenure as chairman (1949-69) it had jumped to 4,00,000 tonnes. It retained its prime position among private sector shipping companies."

There's no question that she was obsessed with Scindia. She never tried to hide her obsession; but didn't let it consume all her energies. Her two adopted children Kishori and Vrajraj don't have any complaints. Says Kishori: "I never felt like an adopted child. In spite of her being extremely busy, she would always have time for us."

She also found time to indulge in two other passions — sarees and antiques. Today, she shows off a massive collection of cotton and silk sarees from all over India. And Palm-Bun resembles a museum, with *objets d'art* in bronze, brass, ivory, glass, silver, wood, iron strewn all over. Says Sumati: "At times I've had to sell a piece of jewellery to acquire an antique. But then, one can buy jewellery again. Once a piece of art is gone it's gone forever."

In the autumn of her life, she refuses to stay home and exercise her well-earned right to relax. She chairs the Narottam Morarjee Institute of Shipping, is the director of LLoyds Register Industrial Services (India), vice-president of the Nathdwara Temple Board and is a managing trustee of The Central Relief Fund and Sumati Morarjee Foundation (under which she has built a co-education school at Gandhigram).

But Scindia is still uppermost in her mind. And being chairperson emeritus of the company isn't quite enough to keep her happy. She wants to get back on the bridge, hands on. Scindia's decline obviously hurts, but she is determined to give it another shot. "I've always done what was in Scindia's best interests, and I will continue to do so." She recently upped her takeover bid to Rs 50 crore and was believed to have sought Harshad Mehta's help.

But does she really believe that she can, at 83, turn the company around? Sumati Morarjee has no doubts on that score: "A woman can always do better than a man. If she can manage such an intricate thing as home — take care of her in-laws, children, husband, the kitchen — she can achieve anything."

□ Chhaya Balachandran

Tisco chief Russi Mody's popularity in Jamshedpur has never been in question; the locals worship the man. But he was never really regarded as one of Patna's favourite people.

Until word went round that Bombay House was trying to get rid of its former blue-eyed boy. Overnight, it seemed everybody who was anybody in the Bihar capital's political circles was dashing off press releases announcing firm support for Mody.

And now, chief minister Laloo Prasad Yadav has joined the chorus. Following renewed media speculation about the Mody-Ratan Tata face-off, Yadav is believed to have asked the top brass at Bombay House to get off Russi's back. Given his penchant for rustic prose, he probably found a more colourful way of putting it.



YADAV: *Forgetting the past?*

Last fortnight, Yadav went public with his support, stating that Mody's leaving would "lead to unrest and affect the economic activity of the state."

The chief minister's sudden interest in Mody's well-being is rather surprising. After all, the two were not known to be particularly fond of each other. On the contrary, there was some talk last year that Yadav was very annoyed with Mody; something to do with Tisco's failure to provide the Janata Dal with adequate "support" (usually measured, in cash and the number of jeeps/trucks made available to politicians) during the general elections.

If Yadav was indeed angry, he's certainly prepared to let bygones be bygones. After all, in his line of work, strange bedfellows are pretty common. And Russi, well, he's proven time and again that he can be just as wily as any politician.

Meera Gulabchand's association with the movie business goes back a long way. Both her parents, Vasant and Sumati Joglekar, were film personalities of repute. Meera, herself, worked in the 'experimental' theatre of the sixties, before going on to star opposite Joy Mukherjee in the hit *Ek kali muskayi*. Later, she did a few programmes for Bombay Doordarshan — on one occasion interviewing her mother.

And now, with husband Ajit Gulabchand taking over as chairman of Paradigm Media (makers of *Business Plus*, *People Plus* and *Bollywood Plus*), it seems only natural that Meera should involve herself in the creative side of the business. But not just yet. "It's too early to say what role I will play (in Paradigm)," she says.

GULABCHAND: *Back under the arc lights*



Given all her pedigree and experience in front of the camera, you wouldn't expect the lady to suffer from the old butterflies-in-the-stomach feeling. But she does confess to a little stage fright: "I may be a little awkward at first...it was such a long time ago... but once I go under the lights, I'll pick up gradually."

Jahar Sengupta has plenty on his plate — judging from his four-face folding visiting card. But the man obviously has some spare energy left over.

The grand old man of Calcutta's corporate circles was back in the news recently, this time in his capacity as chairman of the East India Clinic, a position earlier held by the now superannuated ICI boss A.L. "Krishna" Mudaliar. Sengupta installed a state-of-the-art magnetic resonance imaging unit (cost: Rs 8.5 crore) at the posh Woodlands nursing home, owned and managed by East India Clinic. The unit was inaugurated by "old friend" Jyoti Basu.



SENGUPTA: *Energy to spare*

Sengupta is now working to convince Calcutta's diagnostic centres to pool their expensive equipment, thereby generating greater use of high technology and making it more affordable to the man on the street.

And how does it feel to manage a hospital instead of a corporate house? "It's all the same," avers Sengupta. "Both tasks demand capable management of resources."

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ARE THE GOVERNMENT'S REFORMS WORKING?

BusinessWorld

THE MAGAZINE FOR INDIAN BUSINESS



Securities Scam

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THE TISCO SOLUTION

Swissair Customer Portrait: Harry Singh and family, Industrialist.



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BUSINESS QUOTES



To us in the trading ring, he (Harshad Mehta) is Amitabh Bachchan.

A broker in the Bombay stock exchange quoted in India Today.

This is a story of manipulation of markets, of price rigging and what not, which the stock exchanges should have prevented if they are truly self-regulating as they claim.

Securities & Exchange Board of India (Sebi) chairman G.V. Ramakrishna arguing for a larger role for Sebi in the wake of the securities scandal, quoted in Business India.

...the word exit is a wrong term to use. The term has sent wrong signals and scared labour. It should have been (called) the industrial reconstruction policy.

Federation of Indian Chambers of Commerce & Industry president V.L. Dutt on the exit policy, quoted in Sunday Mail.

I am in partnerships because I want to minimise risks. Business is a real-life situation and not a drama.

Industrialist B.K. Modi, quoted in Business Today.

All this is hidden wealth. So we will have to let investors know about it. If we are selling the family silver, we must polish it first.

Committee on public sector disinvestment|head V. Krishnamurthy on the need for a marketing drive for public sector shares, quoted in Business Standard.

I am very focused now. We'll diversify, but it will only be in the core sector.

Arvind Mills managing director Sanjay Lalbhai on his group's diversification moves, quoted in The Economic Times.

We cannot rely on the market to fulfil the minimum needs of our people. We cannot provide education and health for all through the market.

Prime minister Narasimha Rao on the need for planning to ensure economic justice, quoted in The Observer of Business & Politics.

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HARSHAD MEHTA: THE CRACKDOWN?

With the Central Bureau of Investigation slapping the handcuffs on Big Bull Harshad Mehta and the Reserve Bank of India cracking down on banks, the stage seems set for the denouement of the Rs 3,078 crore bank scam. The drama is shifting into high gear on the Bombay stock exchange too.



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Almost a year ago, the Narasimha Rao government assumed office and kicked off several bold new measures to revamp the economy. But the pace of change seems to have slowed down in recent months, and the government has fallen behind several of its targets. A comprehensive report on the state of reforms.

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Things are on the move at the Armour group. Chairman Atma Gupta has drawn up expansion and diversification plans which he hopes will take his five-company group's sales to over Rs 125 crore in the next two years.

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The department store chain nurtured by chairman F.T. Khorakiwala, is making its first forays outside Bombay. And group company Wockhardt also has interesting plans.

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sWorld



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In the end, Russi Mody had to give in. Under the compromise hammered out at Bombay House, Mody will give up the managing director's post at Tata Iron & Steel Co and remain non-executive chairman.

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S.K. Birla now plans to cash in on the Birla name. He's got himself a new logo and is trying to create a group identity. Birla has also a lot of expansion and diversification plans for his companies.

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A lot of companies are slipping into jeans. As a consequence, the market is being flooded with brands.

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HOW DO YOU CARVE INROADS INTO DEMANDING TERRAINS IN THE WORLD ?



ANSWER: USE A COUPLE OF WHEELS.

Every year, bicycles worth billions of dollars are sold for leisure and sport in North America and Western Europe.

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What prevented Hero Cycles, one of the world's largest manufacturers of bicycles, from making an impact in industrialised countries? Their technology needed upgradation.

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Analysis demonstrated that Hero Cycles could enter these markets if it took a couple of systematic steps.

Market Research comprised desk and field research, including research reports sourced from the Bicycle Market Research Institute, USA.

Product Quality had to be upgraded. Consultants from Germany, Taiwan and Japan were hired. Improvements were made in painting and surface treatment. Aluminium and alloy steels replaced heavier carbon steel. Designs were improved in wheels, chains, packaging and overall aesthetics.

Promotion included technical personnel visiting overseas markets during the testing of new cycles. International Trading Houses were hired to market Hero Cycles. Tie-ups were established with large manufacturers and assemblers to buy an entire range of cycle parts from Hero Cycles.

What's more, to strengthen brand marketing, the trade mark was registered in the USA.

Market research, product upgradation, packaging design and promotional expenses are all elements in a strategic export marketing plan, which becomes possible under EXIM Bank's Export Marketing Finance Programme.

Hero Cycles is now set to double its exports every two years.

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THE QUALITY IMPERATIVE



At long last, Indian industry seems to have realised that its redemption lies in a single word: quality. And going by the hectic spate of quality consciousness-oriented activity visible in industry these days, it appears this realisation has struck home like the proverbial thunderbolt.

And in the nick of time, too. Europe goes over to international quality standard ISO-9000 with effect from 1 January next. As things stand, this quality certification will act as the supreme non-tariff barrier for all aspirants seeking trade entry into the attractive united European marketplace. True, there is no legislation or mandatory requirement; but for those without ISO-9000 accreditation, 'disadvantage' is likely to be too mild a word.

Companies that do not improve the quality of their products will lose access to European markets

Amazingly, although the European union and its attendant economic corollaries have been on the anvil for several years now, Indian business has been hitherto singularly lackadaisical in gearing itself properly for ISO-9000. Even at this late stage, only eight Indian companies have secured ISO-9000 accreditation although there are hundreds who trade with European companies. With only half the year left, it remains to be seen whether even a crash course on Total Quality Management (TQM) — the new buzzword — can be of anything but marginal benefit now.

Actually, the 'management' part of TQM is somewhat of a misnomer because the drive for quality is equally the responsibility of managements, the government and labour. Blaming and carping at each other in round-robin fashion, which is what the three usually do, will get nobody nowhere. The world simply does not have an iota of interest in their internecine problems, real or imagined.

More than ever before, the entire country must speak in one language, and that language is quality. To speak it well, the attribute it must inculcate is productivity. These may well sound very unglamorous and unromantic in times when even industry wants to be sexy, but then its lost decades are a cross which Indian industry has no option but to bear.

WIDENING BASE

The Industrial Development Bank of India (IDBI) has set itself the target of raising Rs 1,000 crore from the market this year. After the government cut off subsidised resources to the financial institutions, IDBI began issuing non-government bonds. Its issue a few months ago netted it some Rs 500 crore — and 11 lakh individual holders of bonds. A top IDBI source last fortnight pointed out proudly that that was only five lakh fewer than Reliance Industries' 16 lakh shareholders.

The institution is now chalking out plans to raise another Rs 500 crore by issuing three-year certificates of deposit (CDs).

What's also clear is that IDBI's large investor base will put it in an enviable position should the government ever decide to privatise the financial institution.

Meanwhile, the government has shelved the Narasimham committee's recommendation to split IDBI into two institutions. The committee had suggested that IDBI end its direct lending function and confine itself to its apex refinancing role. The vociferous protests by IDBI's unions have had their effect, and while the government had maintained a stony silence on the matter in public it has apparently assured the IDBI brass that the partition move is off.

DOCK KING

Is Jagdish Chokani aiming at becoming the dry dock king of the country? The only other private enterprise to bid for dry docks is Western India Industries, but Chokani has a head start. He set up the country's first private dry dock (after Escorts, which sold at a loss a dry dock it acquired) in Madras two years ago.

Chokani now has ambitious plans to set up yet another dry dock in Madras and two in, strangely, Calcutta. The additional dock project in Madras is likely to come up soon. "We don't need any clearance for it," says Chokani. But the proposal to acquire two dry docks in



CHOKANI: *Ambitious plans*

Calcutta on long lease is awaiting the Calcutta Port Trust's clearance, and so could take time to fructify. Meanwhile, he's scouting the United States, the United Kingdom and Singapore for dry docks.

The New Delhi-based businessman evidently has big airline plans, but mum's the word on that.

DELAYED EURO-ISSUE

Having averted what could have been an unseemly boardroom brawl, Tata Steel is now back to business. But though the giant steelmaker has posted impressive results for 1991-92, everything isn't hunky dory. According to insiders, Tata Steel's brass is doing a lot of rethinking on the timing of its forthcoming $100 million Euro-convertible offering. The reason: pricing.

Tata Steel had earlier convinced its three lead Euro-issue managers that the issue price should be close to the average of the share price on the Indian stockmarket over a month preceding the issue (of course, there were other parameters too). The steel company had also decided that its international offering would quickly follow the domestic Rs 1,267 crore rights issue, in July or August.

However, that was decided when the blue-chip Tata scrip was quoting at around Rs 500. Now, with the post-scam slump on the stockmarket, the share has plunged to well below the Rs 400-mark. And a month's average price may be lower than what was earlier expected. Though Tata Steel's lead managers — Credit Suisse, First Boston and the International Finance Corp (IFC), Washington — had agreed to the earlier formula, their client is now wondering whether it would be a good idea to wait till the market is a bit more bullish. Quite obviously, Tata Steel is hoping for a higher premium from the international markets.

That apart, senior executives of the company are also wondering whether roping in IFC, Washington was such a hot idea. After all, IFC, an affiliate of the World Bank, is mainly engaged in assisting private sector projects in developing countries and has next to no experience in operating in the rough and tumble of the international capital markets.

CAPITAL PLANS

Remember KD's, the Bombay superstore? Well, KD's is branching out into Bombay's suburbs (Thane, for one), and is seriously considering a move into the Delhi market. KD's Delhi plans are certainly ambitious: at least one new store a year. Talks are on with a potential franchisee for this.

But KD's is also looking at another innovative venture — a so-called market resort. The project is to be located outside Bombay, on the road to Pune, and involves providing pavilions and retail outlets to companies to hawk wares.

These projects apart, KD's is exploring the possibility of setting up a resort hotel. And it already has, of course, launched a dial-a-home (read: home delivery) service in Bombay.

Quite obviously, KD's sets a lot in store for its future.

MOVING INTO FOODS

After losing out on the Wimco deal, Flex Industries boss Ashok Chaturvedi is making a big push into the foods business. A mushroom project at



CHATURVEDI: *Foods foray*

Dehradun has already been launched, and Chaturvedi now has plans to process vegetables and mangoes for the export market. A processing plant is to be set up at Dehradun for this purpose.

The packaging king is also seriously considering a move into the acquaculture business, once again for overseas markets.

Food apart, the New Delhi-based Flex group — which sits at the top of the country's flexible packaging heap — is also integrating backwards. Chaturvedi wants to manufacture the plastic that is used as a raw material for his flexible packaging. Also on the anvil are forays into non-conventional energy and speciality chemicals. A separate company for one of these projects is a distinct possibility.

NEW LABEL

There's a lot in a name — or so Rajkumar Dhoot swears. The managing director of the recently promoted Videocon-GNFC wants the glass shell company's name changed to either Videocon Gujarat or Videocon Narmada. Reason: sand for the glass shells will come from Narmada Valley or from the Narmada river bed.

The Rs 450 crore joint sector project promoted by Videocon International and Gujarat Narmada Valley Fertilizers Co to produce glass shells for television picture tubes is scheduled to go on stream by the end of June 1993. Technology for the project is to be provided by a Japanese company. The Videocon group is chipping in Rs 60 crore to the new enterprise's equity.

HEADY BREW

The Jains, (Rakesh and Sanjay) who run a Rs 50 crore clutch of packaging concerns and a brewery (Asian Cans, Trans Asia Packaging, Rajasthan Breweries), have ambitious expansion plans up their sleeves. As is known by now, Rajasthan Breweries has tied up with Danbrew of Denmark, makers of Carlsberg beer, to brew up to three million litres a year of beer. What's not known is that Rajasthan Breweries is talking to Danbrew on using the Carlsberg brandname in India.

Sister company Asian Cans, meanwhile, is busy working on a Rs 20 crore project to turn out flip-top cans (it now makes open tin cans) for juices and beers. According to a group company spokesman, the Rs 25 crore company is talking to Pepsi and Parle on a deal under which the duo will either permit Asian Cans to pack and market soft drinks in flip-top cans or simply pack them, with marketing being the responsibility of the two soft drink manufacturers.

That's not all. A hotel in Goa, Delhi or the Andaman & Nicobar islands is in the offing, for which government permission has been obtained. Even more ambitious



SANJAY JAIN: *High on beer*

is a long-term plan to enter the steel and cement industries. Metallurgical & Engineering Consultants (Mecon) has been commissioned to come up with a feasibility report on this.

The group itself is still totting up figures on the investments required for all these forays, but officials insist that regardless of cost, they won't be canned.

NINE-MONTH WAIT

In his last budget speech, finance minister Manmohan Singh announced that the government would set up a corporation to fund businesses in rural areas. Last month, the government incorporated the Agri Business Finance Corp, as it's called. The bad news is that it will take at least nine months for the new venture to get going.

The reason, quite simply, is that even the government is not quite sure what exactly the company should do. It has set up a commission headed by M.S. Swaminathan of rice research fame to decide the new company's mandate. The commission is expected to submit its report in another nine months or so.

The corporation will have a total corpus of Rs 500 crore, all of it contributed by the financial institutions.

A financing agency to fund new businesses in the rural hinterland is undoubtedly a good idea. But the fact that the government is still not clear what its functions will be raises some disturbing questions about the way the government functions. Logically, the government should have done its homework before, and not after, taking a decision to set up such a corporation.

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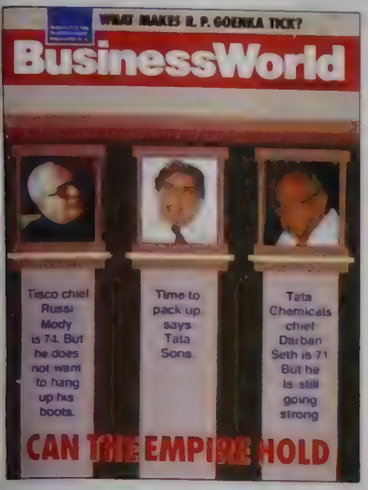
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LETTERS TO THE EDITOR



A CALCULATED MOVE?

This refers to the Cover Story 'Can the empire hold?' (*BW* 20 May-2 June 1992). J.R.D. Tata and Ratan Tata's move to retire Tata company chairmen at the age of 75 is a calculated one. Its main purpose is to increase the Tata family's control of the empire — through the backdoor, however. It is surprising that JRD is behind the move, because he has always been a promoter of professionalism.

Russi Mody, Darbari Seth and Ajit Kerkar are all professional managers who have brought their respective companies to the forefront nationally and internationally. These proven, competent professionals are now being challenged by Ratan Tata who has not shown any competence as yet, whether at Nelco or Empress Mills. His only qualification is his surname. This will definitely demoralise staff and maybe even investors. May wiser counsel prevail.

Alok Arora
Bombay

NO SPICE

This refers to the In the News article 'Adding spice' in the Ad&MarketingWorld section 'Adding spice' (*BW* 6-19 May) that talks of the free Old Spice travelling pouch gifted to subscribers of the magazine *Gentleman*. Last year, lured by a similar free offer of three CBS cassettes, I had subscribed to the magazine *TV & Video World*, published by the same group. Till date, however, the cassettes promised haven't been made available, despite my repeated reminders to Maneck Davar himself. My sincere advice to the public: such offers 'adding spice' should be treated with a pinch of salt.

Piyush Jain
Navsari

USEFUL ARTICLE

The Ad&MarketingWorld Comment 'Brands & Schemas' (*BW* 6-19 May) was very interesting and made good reading. It is particularly useful for consumers and organisations like us who are associated with the consumer movement. Do publish more such articles.

Jayubhai Patel
President
Gujarat State Consumers' Protection Centre
Nadiad

SOME CLARIFICATIONS

In the Cover Story on MRF 'Tyre champ' (*BW* 22 April-5 May), I would like to set the record straight in respect of the following matters.

- Kandathil Verghese Mappillai, the founder of the Malayala Manorama, was succeeded by his only son, the late K.V. Eappen who was its first managing director and also the principal shareholder of this public limited company till his demise in 1925.
- The title 'Mappillai' was an honour conferred on Kandathil Verghese Mappillai and was specific to him. Therefore, it did not devolve on his legal heirs, that is, his only son K.V. Eappen or his grandsons, the late John K. Eappen or myself, his youngest grandson. The maharaja of Travancore honoured him with a *veera-changala* or gold bracelet as well, in recognition of his literary merit as a poet.

B.K. Eappen
New Delhi

AWAITING RESULTS

The Editorial 'Policy with promise' (*BW* 22 April-5 May) talks about the past when controls strangled economic progress. India is an open society with a closed government. It has had an administration that has been swayed by the bullying tactics of a number of lobbies. As a result, this country has become a mockery in the world. The people are thus eagerly awaiting results from this policy with promise.

N.P. Kalyanam
Madras

WRONG CONCLUSION

I was shocked to read the Economy Comment 'Money matters?' (*BW* 22 April-5 May) that says that the high salaries paid by companies to MBAs may rock the boat of economic reform. How these salaries are related to greed is difficult to see even in the author's article. As the author says "the best answer is, of course, competition and easy access to information and opportunity to all players in the market." There is enough competition amongst MBAs and the opportunity to become one is open to all.

Employers must be finding high quality in MBAs for them to offer high salaries. And if the economic reforms are going to shake industry, it is clear that the flab made up of high-priced, non-productive MBAs will be the first to go.

Pratap Mohan
Amreli

TRADEOFFS



I read with a lot of interest the Back of the Book article 'Executive guilt' (*BW* 8-21 April). While it is true that the corporate world has no sympathy for the problems working couples face, in the ultimate analysis one must understand that nothing comes free of cost. There are tradeoffs. If one aspires for money and position, one has to sacrifice one's family life.

P.N. Viswanathan
Madras

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TAXING GRANTS-IN-AID

By H.P. RANINA



Grants-in-aid given by the government to encourage certain industries are not liable to tax

An issue which has been the subject matter of controversy is the taxability of grant-in-aid given by the government in order to encourage certain industries. The revenue generally attempts to tax the grant-in-aid as income. It has been held in a court of law that subsidies or grants given by the government to assist a trader in his business are, generally speaking, payments of a revenue nature.

However, where the grant is given not as a supplementary trading receipt but for a capital project it is not taxable as income. A grant given by the government to a corporation before it commences business is not taxable, and in such a case the purpose of the grant is immaterial.

A subsidy received by an assessee who grows or manufactures tea in India, for replantation or replacement of tea bushes, is exempted under s.(s) 10(30) in certain circumstances. Exemption under similar circumstances is granted by s.10(31) in the case of subsidies given to those who grow, or manufacture, rubber, coffee, cardamom or any other commodity as may be notified by the Central government.

The subsidy given so as to induce industry to set up units in backward areas, sales tax subsidy granted by the state government, or a lumpsum subsidy given by a state government to encourage the production of feature films in the state is a capital receipt.

In the case of guaranteed interests paid by the government to a railway company, the test is whether the money paid is earmarked for a particular purpose or is part of its general revenue. If the amount paid does not form a part of the general revenue but is earmarked for debenture holders, the same cannot be said to be the income of the company as the company is merely a channel to give the guaranteed amount as interest to debenture holders.

However, if under the guarantee the government pays a specified amount per year to the company, the sum being based on the amount to be paid to holders of shares or debentures by way of guaranteed dividend or interest, and the money forms part of the general revenue of the company, the same becomes the income of the company. The fact that any portion of the government grant is applied to the formation of a sinking fund does not alter the revenue nature of the receipt in the hands of the company.

In *Ostime* vs *Pontypridd & Rhondda Joint Water Board* (14 *ITR* 45), Viscount Simon laid down two propositions: "The first proposition is that, subject to the exception hereafter mentioned, payments in the nature of a subsidy from public funds made to an undertaker to assist in carrying on the undertaker's trade or business are trading receipts, that is, are to be brought into account in arriving at the balance of profits or gains. The second proposition constitutes an exception. If the undertaker is a rating authority and the subsidy is the proceeds of rates imposed by it or comes from a fund belonging to the authority, the identity of the source with the recipient prevents any question of profits arising."

In Ostime's case a joint local board issued precepts for contributions from its constituent members which they might pay from their respective local funds or by levying rates within their respective jurisdictions. The contributions were held to be income, for there was no such identity between contributors and recipients as is required by the second proposition mentioned above, the constituent members being distinct from the joint board.

A recent decision on the point of grant-in-aid is that of the Guwahati high court in *Lachit Films vs CIT* (195 *ITR* 402). Here, the assessee-firm, a producer of Assamese films, produced a film for which he received a sum of Rs 37,488 as grant-in-aid from the Assam government.

The said grant-in-aid was equivalent to the first year's collection of amusement tax from the date of the release of the film. The assessee claimed that the aid was not a revenue receipt, as the financial aid or subsidy was given by the government with a view to encouraging the film industry. The question therefore was whether such a grant-in-aid was a revenue receipt.

The Guwahati high court held that the grant-in-aid in question was a financial aid or subsidy given by the Assam government to encourage the Assamese film industry.

In relation to business undertaking, "revenue" connotes incomings of the undertaking which are products of the normal working of the undertaking. The giving of financial aid or subsidy is at the discretion of the government. The grant-in-aid in question was not a product of the normal business activities. Hence, the court held that such aid was not a revenue receipt so as to form part of the total income.

The aforesaid decision reiterates the principle of law discussed above. In fact, if what is paid by way of grant-in-aid in order to encourage a certain business or industry is made liable to tax, the full purpose of giving the aid will be defeated.

The author is a Bombay-based advocate.

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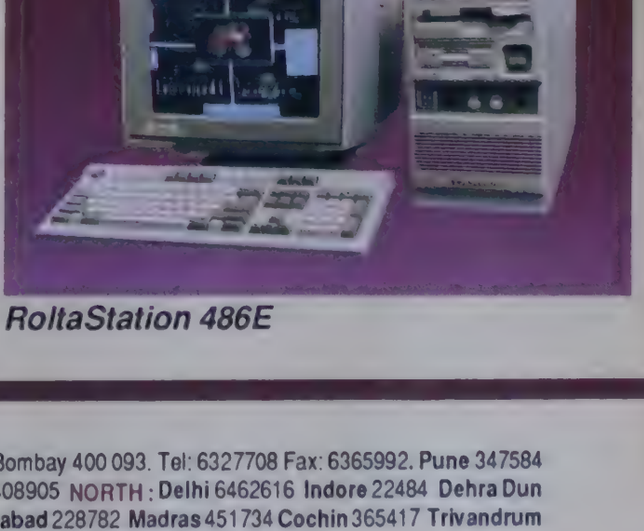
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POLYPROPYLENE YARN PROJECTS

By P.V. SATYANARAYANA



Bright business prospects have led to a great deal of interest among companies in polypropylene yarn projects

The author is a Bombay-based management consultant.

This article continues with the series on new projects under planning and implementation in India. This time polypropylene (PP) filament and multi-filament yarn projects will be discussed. There has been a great deal of interest in this area and several companies are making efforts to set up facilities to manufacture either PP filament or multi-filament yarns, which are expected to find wide application in the production of garments, hosiery, furnishing fabrics etc. The various PP yarn projects currently under planning and implementation are discussed below.

■ Alembic Chemical Works is planning a capacity expansion at its 1,000 tonnes per annum (tpa) PP multi-filament yarn unit at Panelav in Panchmahal district (Gujarat). The company proposes to manufacture PP multi-filament yarn in the 180-3,000 denier range.

■ Amal Rasayan is planning a 5,000 tpa PP multi-filament yarn project near Vapi. A variety of PP yarns — partially oriented fully drawn, bulk continuous filament and high tenacity — will be manufactured. Machinery is to be imported from Italy and Germany.

■ Ankuna Synthetics is to set up a 2,000 tpa PP filament yarn plant at Kosi Kalan near Mathura in technical collaboration with Hyosung Corp of South Korea. The project may make progress during the year.

■ Bhimtal Photofilms, a manufacturer of photographic and plastics products, is planning to diversify into PP filament yarn, with the setting up of a 5,000 tpa plant at Sikandrabad in Bulandshahr district (Uttar Pradesh). The project may make progress towards implementation in 1992.

■ Blue Blends had proposed a 4,000 tpa PP filament yarn project either at Daman or Ankleshwar. But the project does not appear to have made much progress.

■ Canara Fibres, a company belonging to the Manipal group, is planning a 6,000 tpa PP multi-filament yarn project near Mangalore (Karnataka). Some progress may be made in 1992.

■ Chandra Synthetics is setting up a Rs 11 crore, 1,000 tpa PP filament yarn project at Sikandrabad to manufacture PP yarn in the 250-2,500 denier range. Technology and plant and machinery is being sourced from Neumag, Germany.

■ Gujarat Ambuja Proteins is diversifying into PP multi-filament yarn. A new company, Gujarat Ambuja Petro Synthetics, has been floated for the Rs 34 crore, 5,000 tpa project at Himmatnagar, north of Ahmedabad. The project is likely to be completed in late 1993.

■ Mahendra Suitings is diversifying into filament yarn and has formed a new company — Mahendra India — for the purpose. The 3,000 tpa, Rs 35.6 crore plant will set up at Silvassa in Dadra and Nagar Haveli. As of early 1992, the company reported to have appointed a number technical and non-technical personnel f the project implementation work. T plant will manufacture PP filament yarn the denier range of 300-600. The proje may be completed in 1993.

■ Parasrampuria Industries is setting up Rs 43 crore, 4,050 tpa high-tenacity multi-filament yarn unit at Dadra near Silvassa. Under this project, PP yarn in t 300-3,000 denier range will be produce Further, the plant will have the flexibili to produce polyester as well as nylon fil ment yarns. Neumag of Germany is suppl ing the plant and machinery as well as t technical knowhow.

■ Parasrampuria Synthetics is to expand i PP multi-filament yarn capacity at Bhiwa (Rajasthan). The company is planning establish an additional line of 1,200 t which, when completed, will raise its ove all capacity to 2,200 tpa. Technic knowhow and plant and machinery is to b procured from Neumag. The new line w take up the production of fine-denier P yarns.

■ Kanoi Plantations is likely to team u with Pradeshiya Industrial & Investme Corp of UP (Picup) to promote a joint-sect project for producing PP filament yarn. 2,000 tpa filament yarn unit is likely to b set up at Kosi Kalan near Mathura.

■ Rajasthan Petrosynthetics has complete a capacity expansion of its PP filament yar plant at Sukher village near Udaipur reach a level of 2,750 tpa. The compan now proposes to raise capacity further 6,000 tpa. It plans to use Italian technolog for this purpose. The expansion scheme likely to cost around Rs 25 crore and targeted for completion in the second ha of 1994.

■ Shree Rajasthan Syntex, a manu facturer of polyester and viscose blende yarns, has set up the Shree Shyam Fil ments Division to take up the implementa tion of a Rs 22.9 crore, 1,824 tpa project make PP multi-filament yarn at Bagru Ravan village near Jaipur. Neumag providing the technical knowhow as we as the plant and machinery. The project targeted for commissioning in the secon half of 1992.

PROSPECTS DESPITE PROBLEMS

Bullish on India, Templeton keenly awaits the go ahead.

Will the dollar come to Dalal Street? Though international investors are not exactly lining up outside Indian bourses, many have started testing the waters by sending down key representatives on fact-finding missions.

Templeton International, which has a total fund corpus in the region of $90 billion, has been part of the recent procession of prospectors. J. Mark Mobius, a director of the parent company Templeton, Galbraith & Hansberger, and president of the Templeton Emerging Markets Fund, was in Bombay recently to examine the possibilities of investing in markets here.

And the firm is currently very bullish on India's long-term prospects. "India and China will, in the coming decades, have the biggest capital markets in the world," says Mobius, who manages funds totalling $1.3 billion.

But what about any immediate action? Though Templeton has invested in some of the India country funds, Mobius' own funds have no exposure to India. "That is because my funds only invest directly in companies," he explains.



■ MOBIUS: *Optimistic*

If the government finally gives the green signal for such investment, Mobius may be willing to play ball. Currently, of course, he feels that the market is overpriced. (His estimate of a "correct" price-earnings ratio of 10 could lead to heart attacks on Dalal Street.) "Though the market as a whole may be too expensive, I am sure there must be a number of bargain picks. After all this is a massive market with over 6,000 companies," argues Mobius.

The intangibles too are important for foreign institutional money managers like Mobius. "Too little attention has been paid to the actual operation of the markets here," he says. Mobius himself believes in the 'Felt' principle: markets should be fair, efficient, liquid and transparent. All these, needless to say, are distant mirages in the Dalal Street desert.

"The stock exchange is like a publiic utility. It should belong to a nation and not a small cartel of people," argues Mobius. True. But despite these dark clouds, Mobius is well aware of the silver lining. "India has tremendous growth potential. The world cannot ignore it. And nor can India behave as if the rest of the world does not exist," he argues.

That is not just empty pontification. Mobius is ready to put his money where his mouth is. Says he: "Let the government open up. Then we'll come in with our funds."

TRYING TIMES

Ghosh spells out his priorities as Atma head.

When Samir Ghosh, 62, stepped into Dunlop House in mid-1991, his inheritance included not only managing directorship of the Chhabria flagship but also the chairmanship of the Automotive Tyre Manufacturers' Association (Atma), the apex representative body of this Rs 3,800 crore annual turnover industry. Partly because the tyre dealers' lobby is both strong and vocal, traditionally Atma has been more often than not on the defensive — and Ghosh is not the sort to take bumpy rides lying down.

"All this talk of price rigging is nonsense," he declares. "Where there is overproduction of tyres compared to demand, can there ever be a satisfactory uniform price maintenance?" Ghosh adds that there are three separate factors — discounts, rebates and the period of credit sales — over which there cannot possibly be cartelised control. He argues: "No private deals are feasible."

Accusations of price rigging apart, Ghosh is also irked by the constant refrain that tyre manufacturers' price increases are always higher than the inputs cost rise and are therefore tantamount to profiteering. Unfortunately for Atma, the criticism has been taken seriously by the government, which has asked the Bureau of Industrial Costs & Prices (BICP) to look into this aspect.

According to Ghosh, the idea of seeking one-to-one correlation between retail price hikes and input cost increases is "myopic." Atma members, he reasons, have to look at things in a broader and longer term perspective: "Our industry has

two overriding imperatives — to increase exports in a big way and to operationalise a major technological reform from bias-ply to radial tyres."

Indeed, tyre manufacturers are caught in a Catch-22 situation on the radials issue. To push exports, they need to mass manufacture radial truck tyres; yet India makes negligible numbers of these and the cost of a new all-steel radial truck-bus tyre plant is prohibitive. (The recently commissioned Vikrant Tyres plant in Karnataka is the only one in the country at the moment.) The export market for bias-ply tyres is limited, given that the European tyre market is 99% radialised while Japan and the US have gone 85% radial. Radial technology demands precision and fine tolerances. These, in turn, demand upgraded shopfloor equipment and practices. With Indian roads a disaster, costlier radial tyres are a strict no-no with domestic transporters.

Yet, the tyre industry is under pressure from the commerce ministry to perform as an "extreme focus export-growth" (that is a 30% annual growth) sector. "For us, exporting truck tyres is not going to be an optional extra in future, but a mainline activity perforce," says Ghosh. The imperative of finding export markets is before every tyre company, because current domestic demand trails production, and the only way the oversupply situation can be corrected is through overseas sales. Some of them are trying to lean on their collaborators to find buyers. At the end of the day, though, the conundrum remains that unless India produces radials in large enough volumes, it can never penetrate world markets in numbers which can yield a 30% per annum growth rate.

To add to the tyre industry's current woes, passenger tyre sales (which grew by 3% in 1990-91) actually fell by 15% in 1991-92; truck tyres witnessed a small growth but overall industry growth in number terms was zero per cent (versus 0.5% growth in 1990-91). And neither is the industry rolling in money; the return on sales was collectively 3% in 1991, while the return on investment was 7%. Figures for this year are awaited, bu they can scarcely be expected to improve. "The broad health of the tyre industry is Atma's prime concern," concludes Ghosh.



GHOSH: *Advocating technological reform*

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SPECIAL REPORT

ARE THE GOVERNMENT'S REFORMS WORKING?

Critics within the Congress (I) are slowing its pace.

At 4 pm on the first Wednesday in June this year, more than a dozen key ministers and senior bureaucrats went into a huddle at the prime minister's office. Almost a year into the reforms, it was report card time and prime minister P.V. Narasimha Rao was keen to get a first-hand assessment of the pace of the reforms. Nearly everyone did some plain talking — yes, there were snags which had to be removed; no, one could not just ignore those feeling the pinch of the reform process; and of course, there was much more to be done. When the meeting ended, one clear consensus had emerged: it was time to force the pace.

That meeting was the first in a series initiated by the prime minister to monitor the changing economic structure. But it also served to highlight a worry fast emerging in industrial and economic circles: were the reforms slowly losing steam?

That question would have been unthinkable last June. As the Narasimha Rao government took charge, foreign exchange reserves dipped to an alarming low, prices soared and industry showed few signs of being nudged out of its complacency. That left the government with no option but one: shelve Nehruvian socialism and replace it with new International Monetary Fund (IMF)-guided reforms.

One year down the line, the good intentions are still firmly in place. Reforms are still coming in steady doses — last fortnight, Union commerce minister P. Chidambaram announced that loopholes in the exim policy would be plugged by 1 July. The government is having a fresh look at reforms in the financial sector and is closely monitoring changes in the stock exchanges.

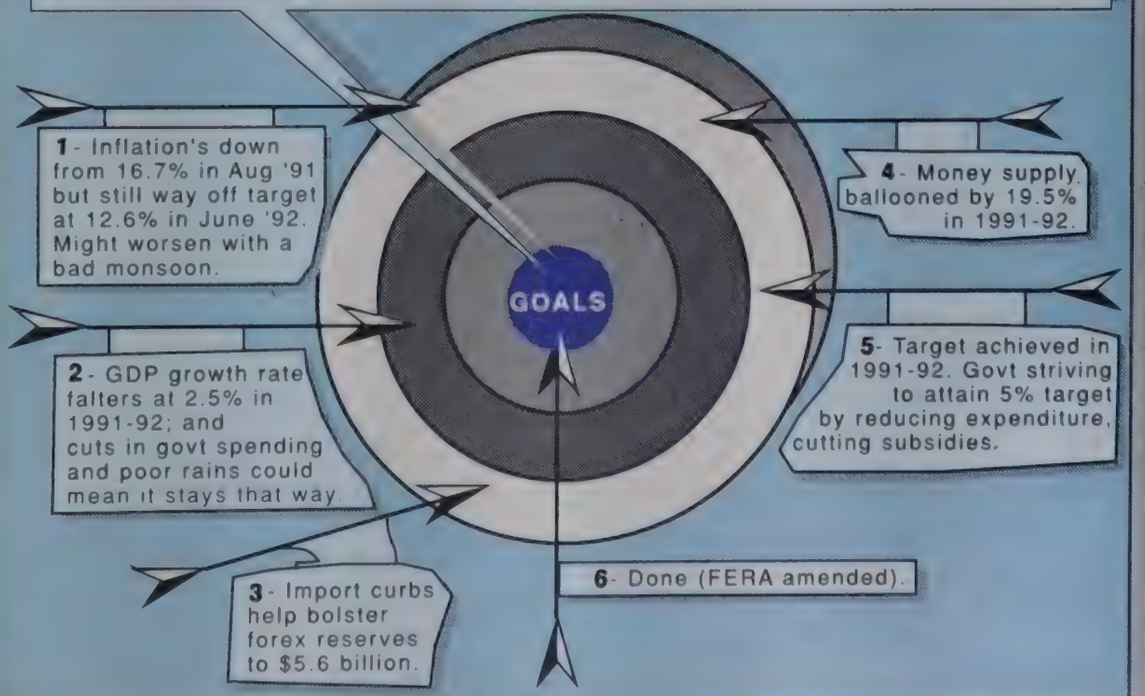
What isn't in place is the pace of reforms. The Rao government, hamstrung by increasingly vociferous critics within its own party, is perceptibly slowing down the pace of change. Take a look at some glaring examples:

- Last fortnight, Union minister of state for labour P.A. Sangma met with labour leaders over the contentious exit policy. After a tense discussion, Sangma finally gave a crucial commitment: there would be no retrenchment from sick public sector units for the time being.
- The government is seriously considering the fertiliser ministry's demand to up the budgetary subsidy provision of Rs 5,000 crore by a hefty Rs 2,000 crore. But conceding the demand could upset the government's attempt to peg the fiscal deficit to 5% of gross domestic product (GDP).

MACRO-ECONOMIC GOALS: OFF TARGET

PROMISES TO WORLD BANK

1. Bring down inflation to 7.5% in 1991-92 and 6% in 1995-96.
2. Rein in growth in money supply to 13% in 1991-92, with a further drop in 1992-93.
3. Hike GDP growth rate from 3.5% in 1991-92 to 6% in mid-90s.
4. Contain fiscal deficit at 6.5% of the GDP in 1991-92 and at 5% in 1992-93.
5. Shore up forex reserves to $ 2.3-2.5 billion by 1991-92.
6. Amend FERA.



SPECIAL REPORT



The government has done nothing about the exit policy. Industry and labour still don't see eye to eye

Harsh Goenka
Chairman, RPG Enterprises

■ With a bad monsoon appearing likely and procurement yet to pick up, the government is left with no option but to import about 1.5 million tonnes of foodgrains to keep the public distribution system (PDS) afloat. Economists point out that this would force the government to hike food subsidy from Rs 2,500 crore in the budget to a whopping Rs 4,000 crore. Meanwhile, there's no sign of the promised PDS revamp which would slash the number of beneficiaries.

■ The government allowed Fera (Foreign Exchange Regulation Act) companies to hike their stake to 51%. But before the celebrations could begin, it introduced a rider: dividend repatriation is now linked to exports. Consequently, many Fera companies are reviewing plans to increase equity.

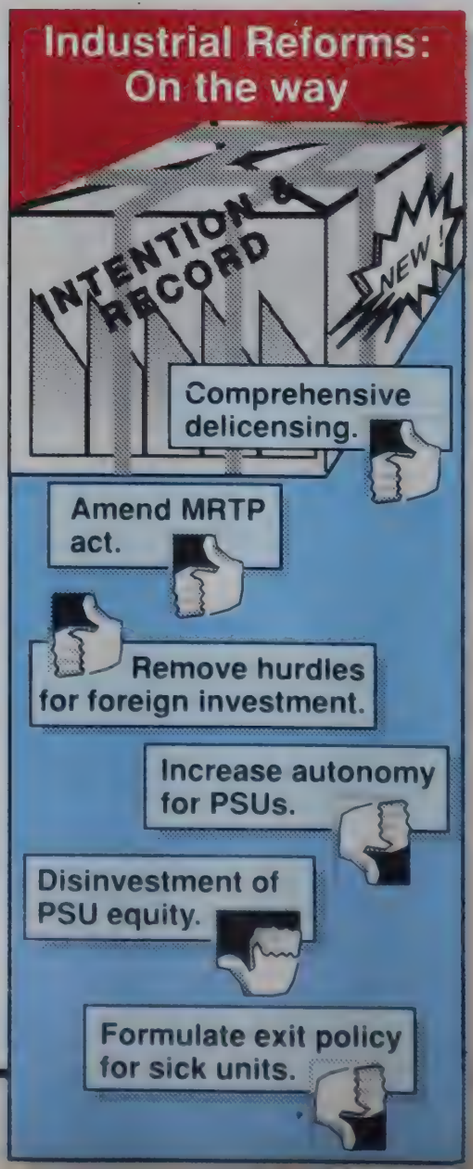
Besides, there's been noticeable foot-dragging in other key sectors: in the financial sector, the dimensions of the Harshad Mehta scam only served to highlight the government's failure to implement the recommendations of the Narasimham committee. The much-needed stock exchange reforms are yet to come. The tax reforms advocated by the Chelliah committee are being watered down.

If that makes for dismal reading, it's partly because the government is now caught in a peculiar bind: the reforms have succeeded in shoring up confidence in the economy (noticeably, foreign exchange reserves were bolstered by import curbs). Yet even as the sense of crisis disappears, there's growing clamour within the ruling party to slow down, or even roll back, the reforms.

More important, there are signs that the dissension has spread to within the Union council of ministers. Says a senior cabinet minister, who asked not to be identified: "The reforms are good. But there is no need to hurry, we should first take stock of what we have done." In what could be a portent of the future, former Congress (I) Union commerce minister Dinesh Singh publicly criticised the new reforms for being pro-rich and supporting the industrial and urban elite.

At least part of that mounting pressure to slow down is because the government has only been able to partially deliver on its promises to the IMF. Inflation, in particular, is fast becoming a contentious political issue after the government's gambit of trying to control it with a tight credit policy failed. At 12.6%, the inflation rate is hovering far above the single digit figure which finance ministry officials had projected. That's provided plenty of ammunition for opposition leaders. Says former finance minister Madhu Dandavate: "The structural adjustments have proved to be extremely inflationary. The deficit was reduced by cutting capital expenditure. This has led to increased inflation and lower production."

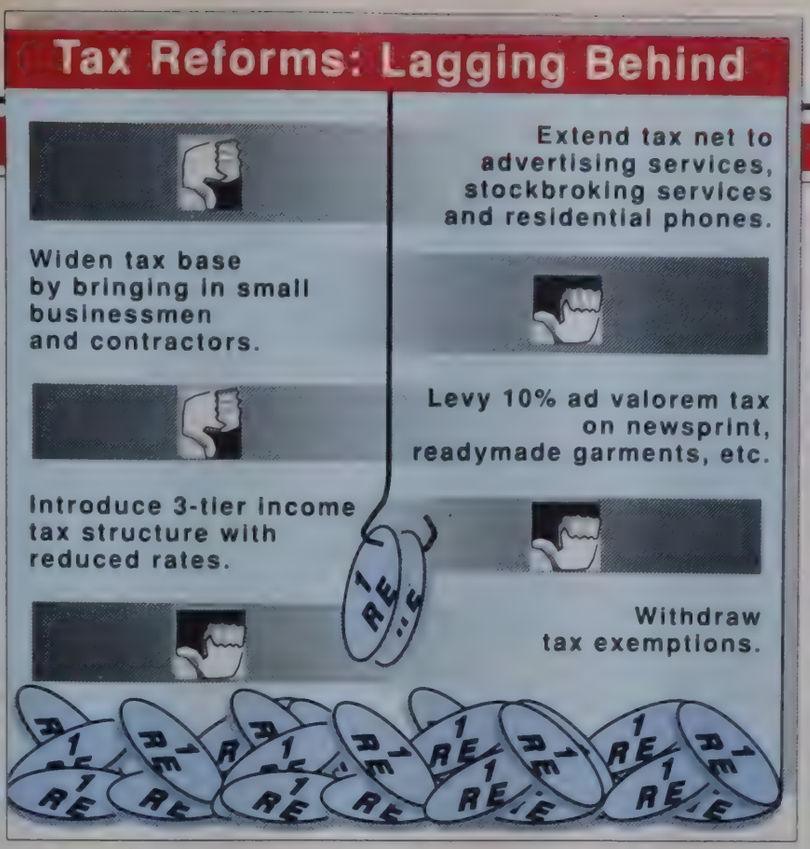
Certainly, at least part of the criticism is justified. The government has managed to meet the fiscal deficit (the difference between its expenditure and revenues) target of 6.5% of GDP last year, and is confident that it will meet the target of 5% this year. To achieve that, however, it slashed primarily capital investment, not non-plan expenditure. Points out Confederation of Indian Industry (CII) president J.J. Irani: "The deficit has been met by cutting down government capital investments. This has





The Company Law Board took six months before clearing our project. They are not bothered about liberalisation

Raunaq Singh
Chairman, Raunaq Enterprises



had an adverse effect on industrial production."

Industrialists such as Bajaj Auto chairman & managing director Rahul Bajaj worry that the government is looking at the wrong end of the stick in its efforts to contain inflation. He points out that 'the effort must be not to curtail demand but to increase supply."

Making the pro-rapid reformers task more difficult are the transition pangs of Indian industry. In the new industrial policy, the government cut away a swathe of red tape — all but 18 industries were delicensed, the asset limitation on companies that fall in the Monopolies & Restrictive Trade Practices (MRTP) net done away with, foreign investors lured by allowing them 51% equity in new projects, and repatriation of profits and transfer of foreign technology became easier than ever before.

But revolutionary though the changes have been, they're yet to show any tangible results. In the last financial year, the industrial production index languished at zero per cent. An Associated Chambers of Commerce & Industry (Assocham) survey of its members clearly indicates that industries like automobiles, synthetic fibres, machine tools, fertilisers, textiles and mining are either facing a recession in demand or a deceleration in growth.

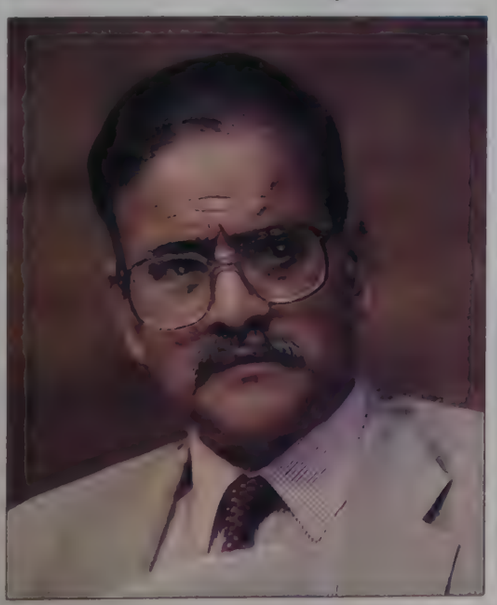
Admits minister of state for industry P.J. Kurien: "Industrial production has not gone up as we wanted. Industry had to cope with lack of adequate credit, infrastructural constraints and the balance of payments (BoP) crisis. But we've arrested the negative trend and this year we hope for a positive growth."

To be sure, the government has taken some significant steps. Last fortnight, the head of a Bombay-based financial institution argued that a fair amount had been done on the trade side. "Licensing has been given up for most imports, partial convertibility of the rupee has been introduced, and that's a major thing."

Yet businessmen argue that, sweeping though they may be, the reforms are only half-way measures. Says Raunaq Enterprises chairman Raunaq Singh: "The reforms haven't made an impact down the line. The Company Law Board took six months before clearing our project.

Tariff reforms are connected to the performance of the economy. Before duty rates are reduced the implications for the budget have to be kept in mind

A.V. Ganesan
Union commerce secretary



They are not bothered about liberalisation."

The government's dithering on the exit policy is indeed what irks the business community. RPG Enterprises chairman Harsh Goenka complains: "The government has done nothing about the exit policy. Industry and labour still don't see eye to eye."

Such complaints are justified, especially as the government appears to be giving in to labour demands. To some extent, that's understandable. Says a cautious V.P. Sawhney, Union labour secretary: "We cannot have a slapdash policy. It is not like taking a decision on abolishing licences; here it is the exit of human beings."

Exit policy apart, many industrialists fear that slowly, almost imperceptibly, the entire reforms package has lost its initial momentum. Says Cadbury's chairman C.Y. Pal: "While reforms are in the right direction, the process of implementation has not picked up and in many areas it is faltering."

Farm reforms — longstanding demands include a new support price policy and parity with the industrial sector — are becoming increasingly urgent because of the slowdown in agricultural growth (foodgrain production has been hovering at around 178 million tonnes for the past few years). Reports filtering from the government indicate that the delay is because of differences between the prime minister, who favours time-bound reforms, and Balram Jakhar, who opposes them. Says a worried Mullapally Ramachandran, minister of state for agriculture: "We need reforms fast, but nothing has taken place till now."

Tied up with the performance of the industrial and agricultural sectors is a third crucial area: trade reforms. In a comprehensive package, the government largely freed imports and exports from controls, decanalised steel and newsprint, reduced tariff rates and made the rupee partially convertible. But further reforms, especially deeper cuts in the tariff rates, will be largely dependent on whether in-



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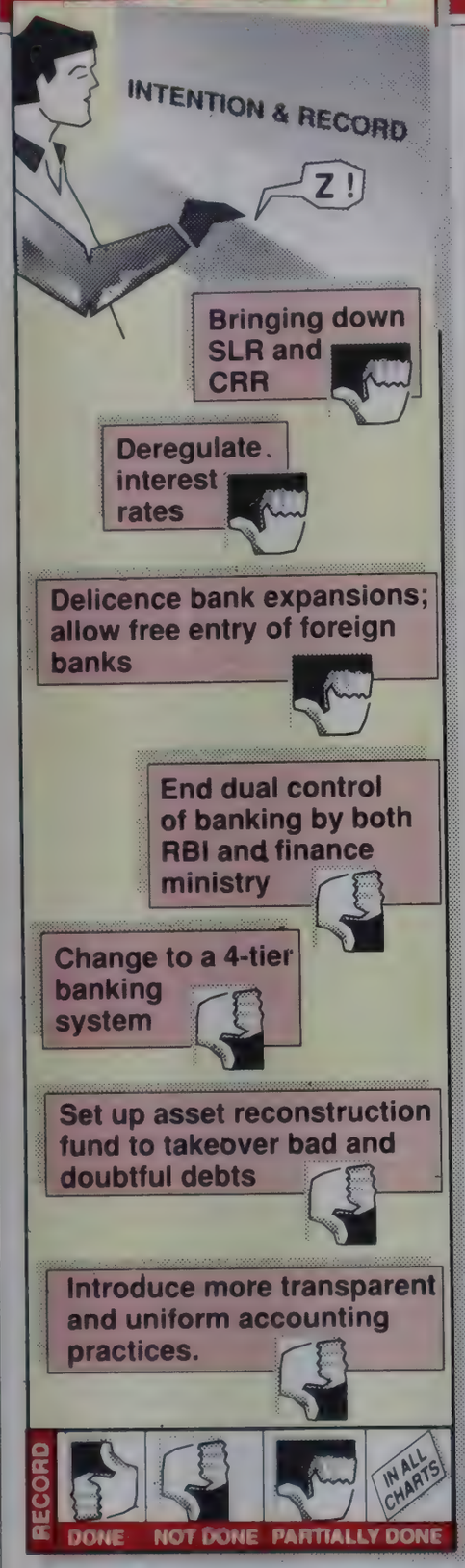
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BANKING: Lack of interest ?



dustry and agriculture can generate surpluses for exports. Explains Union commerce secretary A.V. Ganesan, firmly ruling out any swift changes in the tariff structure: "Tariff reforms are connected to the performance of the economy. Customs duties account for 45% of the government's total revenues. Before the duty rates are reduced, the implications for the budget have to be kept in mind."

Tariffs apart, the new trade policy was tailored to make exports more competitive. After disappointing exports of just $17.5 billion in 1991-92, commerce ministry officials are now gunning for a target of at least $20 billion this year. That's a modest but unrealistic target, especially given the disappearance of the robust Soviet market. Last year, after exports to the erstwhile Soviet Union halved, export growth plunged to show a negative growth of 3.1% in dollar terms.

For the government, exports are crucial because any faltering would mean a setback for the entire reform programme. That, however, seems unlikely, given industry's new-found enthusiasm for exports. Sums up Y.K. Modi, managing director of caustic soda manufacturer Modi Alkalies: "The government has completly freed controls, the bureaucracy doesn't come into the picture and after devaluation exports have become profitable."

Not everyone shares Modi's optimism. Grouses Delhi Exporters Association president S.P. Aggarwal: "There is hardly anything in the policy to encourage exporters." Adds Assocham secretary general B.P. Gunaji: "The policy has been diluted with a negative and positive list. The real impact will be seen if there are no such diversions." Others complain that it has not been well thought out. Argues Abhijit Sen, professor at New Delhi's Jawaharlal Nehru University: "First the government went for exim scrips, then it went for partial convertibility and now Chidambaram is talking about another amendment in July. That hardly provides stability."

But even as the government staggers on reforms in the tariff structure, it is also going slow on tax reforms in other areas — like income and corporate tax. The Chelliah committee which was set up to suggest reforms in the tax policy suggested comprehensive changes — from broadening the tax base, introducing a three-tier income tax structure with lower rates of duty, reducing exemptions and taxing new areas like advertising services.

Although some of those — the three-tier structure, the proposal to merge for tax purposes the incomes of minors with their parents, linking capital gains tax with inflation and taxing shopkeepers — were part of the last budget, the government has diluted the spirit of the panel report. Says New Delhi-based tax lawyer O.P. Vaish: "In principle, the recommendations have been accepted. But in practice, they're going slow with the implementation."

Not just going slow, but backpedalling too. Political pressure from all the parties has already forced the government to restore many of the income tax exemptions withdrawn in the budget. Although the surcharge on income tax is yet to be removed, the government has been noticeably chary of identifying new areas for taxation like services provided by advertising agencies or stockbrokers.

To be fair, there is a silver lining — Manmohan Singh has promised to implement comprehensive reforms in corporate taxes, once the Chelliah committee's final recommendations are placed before him. That could well stimulate a spurt in corporate investment. Industrialists, certainly, are keeping their fingers crossed. Says M.L. Mittal, chairman of the Calcutta-based Ispat group: "So far the changes have given us no extra benefit. Further streamlining is necessary."

STOCKMARKETS: FALTERING SCRIP



SPECIAL REPORT

Trade Reforms: Fast Forward



To achieve that, the government would also have to make considerable progress in implementing the financial reforms recommended by the Narasimham committee. The committee's suggestions include abolishing licences for bank branch expansion, free entry of foreign banks, deregulation of interest rates, depoliticisation of key appointments, and even an end to dual control of the banking sector by both the Reserve Bank of India and the finance ministry.

The actual track record, however, is woefully inadequate. The government has yet to implement any major changes — except for reducing the statutory liquidity ratio (SLR) and the cash reserve ratio (CRR) — and the corporate sector is increasingly sceptical about the government's political will to push through financial reforms. Says Kotak Mahindra Finance managing director Uday Kotak: "There will be a major slowdown in the financial sector after the current stock scam. There is so much distrust that it will be difficult to push for change."

From industry's point of view, the lack of reforms on the financial front present it with the prospect of achieving a fast growth rate — while dealing with a creaking banking system.

Closely interlinked with the financial reforms is the health of the stockmarket. The government has taken the first hesitant steps — including moves to empower the Securities & Exchange Board of India (Sebi) to regulate the stockmarket. Meanwhile, the office of the controller of capital issues (CCI) has been abolished, which leaves companies free to fix the premia on new issues, and takeover codes and guidelines for merchant bankers have been formulated.

That, however, is only one part of the picture. Sebi's maiden attempt to force the brokers to fall in line by insisting on registration resulted in a deadlock as agitating brokers forced the markets to close for nearly a week. The finance ministry, conspicuously, was silent for the most part — leading to criticism about its lack of initiative.

The scam — and the failure to implement reforms — could well have the effect of scaring off foreign investors. "We are waiting to see how stable the liberalisation measures are," says a western diplomatic source. "Remember, India has to compete for investments with not just eastern Europe but also a neighbouring country like Pakistan."

Despite the more liberalised rules, foreign investment is only trickling in. Although there's been a quantum jump in approvals — Kurien says Rs 1,527 crore of foreign investment was approved between August-March 1992 (in contrast, only Rs 120 crore came in the same period the previous year) — the snag is that not all those approvals need translate into projects.

The much-vaunted move towards public sector disinvestment (Rs 3,000 crore mopped up in 1991-92) is now been increasingly dismissed as more of a revenue-raising measure than anything else. Admits a senior official in the planning commission: "This has been merely a revenue-raising exercise to balance the budget rather than a method to bring in more accountability in the functioning of public sector units."

That's despite a promise in the Congress (I) manifesto to ensure more autonomy to the public sector. With both ministers and bureaucrats reluctant to lose their control of the public sector, the perennial problem of filling up vacancies at the top still persists. And while structural reforms have been put on the backburner, there's also been no sign of induction of new technology for the public sector as promised in the reform package.

Perhaps there's one clear indication of the government's reluctance to move fast when it comes to reducing its own fiefdom: the bureaucracy's success in staving off any cuts in posts. Occupants of the 2,000 Central government posts which were to be slashed have been absorbed in other areas, and government officials now talk of merely reducing 123 posts at the joint secretary level (see 'Trimming the Flab' p.27). P.G. Lele, additional secretary in the Union finance ministry admits: "We are redeploying people, not retrenching them."

So,are the reforms then working? As the prime minister, buffetted by political fissures and disappointing achievements, struggles to keep the reforms on track, the answer would seem to be an extremely qualified yes.

For Rao, then, it's fast boiling down to a choice between present tense and future imperfect.

□ Surajeet Das Gupta and Sujatha Shenoy

(With Anup Jayaram, Niranjan Rajadhyaksha in Bombay and bureau reports.)

■ The eighth plan has targeted a lower growth rate of 7.5% in **industrial production** as against the 8.5% achieved in the seventh plan period. According to the plan document approved by the National Development Council (NDC), the output in the mining and manufacturing sectors during the eighth plan period is likely to grow at 8.12% per annum. The overall outlay envisaged in the eighth plan for industrial and mineral programmes in the public sector is Rs 40,911 crore as against the actual expenditure of Rs 26,295 crore (at current prices) during the seventh plan period.



INDIAN RAILWAYS: *Hit by higher steel prices*

■ The recent 15% hike in steel prices has put an additional burden of Rs 400 crore on the **railways.** Moreover, it will have to bear an additional cost of Rs 400 crore on the foreign exchange account as a result of the partial convertibility of the rupee.

The railways has cautioned the government about any further hike in steel prices. In such a case, it says it will be compelled to pass on the burden to the travelling public, by hiking passenger and freight charges.

■ The planning commission has approved an eighth plan allocation of only Rs 5,000 crore for the **information & broadcasting** (I&B) ministry — almost half of what it originally sought from the commission.

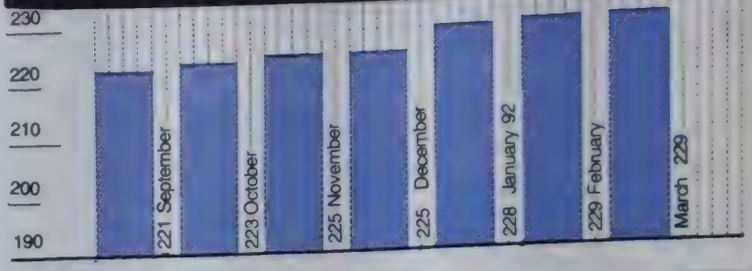
This is likely to affect the ministry's expansion plans. Says I&B minister Ajit Kumar Panja: "This is likely to hit most of the modernisation and expansion plans of the ministry and will seriously hamper efforts underway to meet the challenge posed by the entry of foreign television networks in India."

■ The finance ministry has announced higher **duty drawback rates** for 161 items and fixed specific rates for seven new items. The upward revision for 161 items follows an increase in the prices of a number of imported inputs, partial convertibility of the rupee and general increase in prices during the past year.

Foreign Exchange Rates (Spot) 1992

	2 June (Rs)
One P. Sterling	47.06
One US Dollar (RBI's buying rate)	25.83
One US Dollar (operating middle rate)	28.64
One D. Mark	16.05
One hundred J. Yen	22.00
One Saudi Riyal	7.70
One Kuwaiti Dinar	93.85

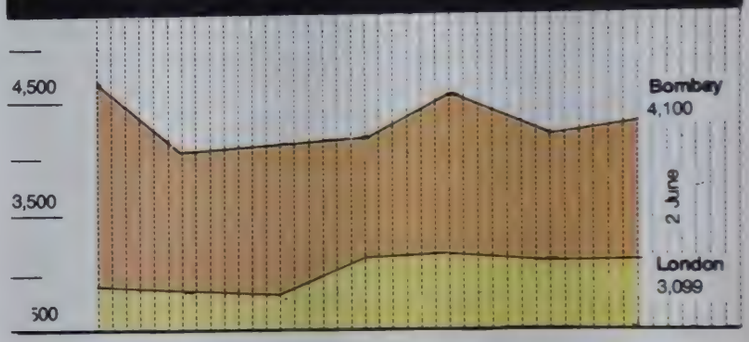
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



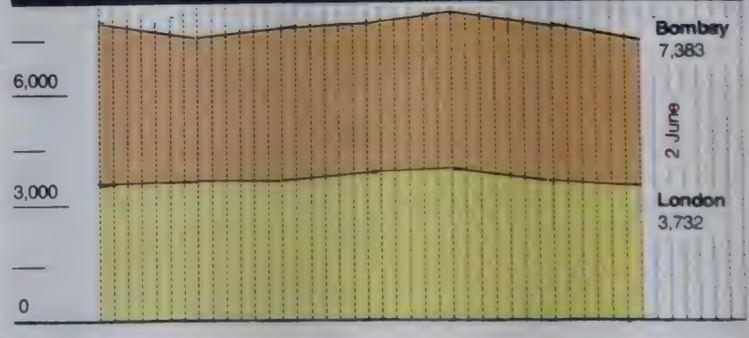
Wholesale Price Index (1981-82 = 100) 1992



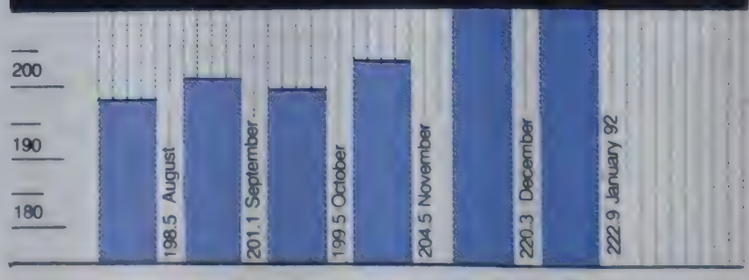
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81= 100)



PUBLIC SECTOR

TRIMMING THE FLAB

The government is wielding the axe on jobs, but the results will surface only in a few years.



For several years, the government has been talking about trimming its bloated workforce. A couple of years ago, it even embarked on a drive to cut the number of employees on its rolls by 10%. Several posts and functions were identified, and some employees were transferred. But the numbers kept inexorably climbing.

Between March 1991 and March 1993, the government will have added 1.53 lakh employees on its musters. What's more, a good chunk of that rise in government employment seems to have taken place last year, when roughly 1.20 lakh employees got on official payrolls.

Inevitably, the government's expenditure on its employees has shot up. Between 1991-92 and the end of the current financial year, the sum spent on pay and allowances (excluding expenditure on travel) will have climbed by Rs 1,123 crore, up from Rs 11,469 to Rs 12,592 crore.

So when prime minister Narasimha Rao announced at the National Development Council meeting last December that over 2,000 posts would be axed by June-end, the announcement was met with some scepticism.

Indeed, the current exercise at trimming government posts seems to be more cosmetic than real, simply because it will bring about no immediate reduction in the number of government employees — it merely cuts the number of posts. Those rendered surplus are posted to a pool, to await transfer as vacancies arise across the government. That led one wag in the capital to remark last fortnight: "Today the regular government employee prefers a golden handcuff to a golden handshake." A finance ministry spokesman, meanwhile, was quick to point out: "The constitution contains guarantees. There's no way we can throw out 10% of the people. But within the guarantees, we'll do what we can."

Nevertheless, the government's latest drive is not quite devoid of seriousness. For one, the impact of the latest official drive will be felt several years down the road. Confirms a planning commission official: "It will take at least five years for the entire programme to show results." For another, posts at the Centre are not being filled when incumbents retire or return to state cadres. Then, the number of posts is being reduced by merging positions. Examples: the post of the secretary to the department of official languages has been merged with that of the secretary to the programme implementation ministry; so also, the jobs of the secretary to the food processing ministry and of the development commissioner of the small-scale industries department have been combined.

In future, government functionaries who retire will not be allotted government jobs. Indeed, the prime minister's office (PMO) sent a signal to this effect by ensuring that serving government officers were posted to the Board for Industrial & Financial Reconstruction (BIFR), the official doctor for sick enterprises. Earlier, members of the BIFR board were all retired senior government functionaries. Indeed, former chairman R. Ganapati took over the helm of BIFR after retiring as expenditure secretary.

Reduction in recruitments. These are not the only measures adopted. The government has decided to cut staff intake at all levels, and ban the creation of new posts. Next year's recruitment to the Indian Administrative Services (IAS), for instance, will be limited to around 70, as against the 130 that's been the average intake in recent years. "At present, about 3.4% of the government workforce retires annually," says a planning commission official. "We can speed up this process if the annual recruitment is fixed at just 0.5%," he adds.

Certainly, recruitment has stopped at the department level. D.R. Mehta, director-general of trade (better known till recently as the chief controller of imports and exports) says

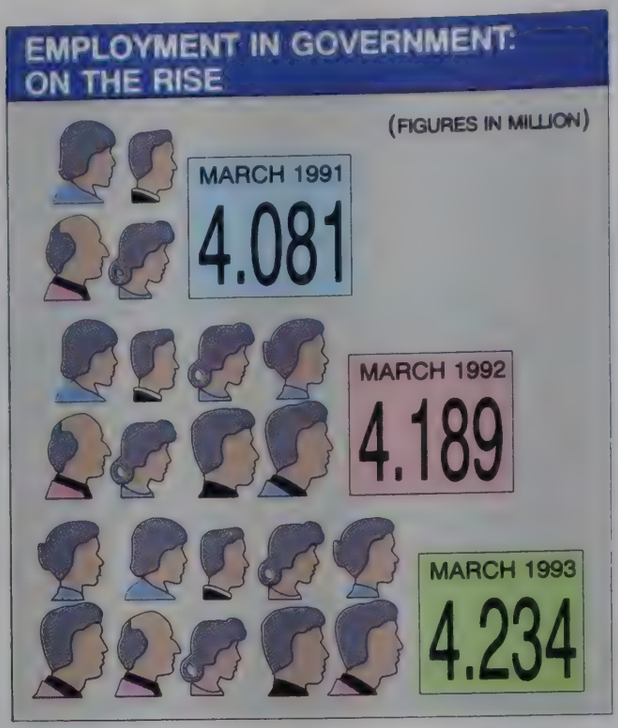
that his office has not recruited anyone for the past six or eight months. "We've also sent deputationists to their parent cadres. These posts are now not being filled," he says.

Senior government functionaries still are uncertain about the impact all this is having. Says P.G. Lele, additional secretary in the finance ministry's department of expenditure: "We are only redeploying people. At the lower level, the information is only being collected." Even so, there's evidently plenty of scope for trimming the flab in government. In 1991, the finance ministry's staff inspection unit said that 4,000 posts were surplus.

But at the joint secretary level, firm statistics are more readily available. According to Lele, 123 posts are being axed. Of these, 65 relate to the central secretariat and 50 in the railways.

For all this, there's little doubt that several posts at all levels will be axed. A quick rundown on the departments where posts will be scrapped:

- The office of the development commissioner for the cement industry stands to lose over 200 posts.
- The office of the development commissioner for small-scale industry, the Directorate General of Trade Development and the Directorate General of Supplies and Disposals will do away with hundreds of posts. The last two will scrap 300 posts each. "We will identify all the posts to be scrapped by June-end," says development commissioner for small-scale industries C.K. Modi. "They will be put into the surplus cadre. Since seniority will be taken into account, the juniors will be the ones most affected by this exercise. It will cover over 600 posts in this office alone," he adds.
- One post each has been abolished at the Central Water Commission, the Central Electricity Authority, the Telecom Commission, the Postal Board, the Central Board of Excise and Customs and the Central Board of Direct Taxes.
- The finance ministry's department of economic affairs has authorisation for six joint secretary posts, and has given up two of them.



One outcome of all this: government staff in New Delhi alone will drop in terms of numbers from 1.40 lakh in March 1992 to 1.38 lakh by March 1993. Also, the rate of growth in the addition to government employee ranks will tumble by an estimated half.

Strikingly too, the current drive to trim posts is expected to save the government quite some money — in three or four years' time. "It is difficult to estimate the financial benefits that will accrue to the government as a result of the cuts in jobs immediately," says Lele. A government economist, on the other hand, reckoned that the government would save roughly Rs 2,000 crore of the Rs 12,592 crore it now spends on its employees by way of salaries and allowances every year.

Posts apart, several government departments have surrendered over 3,500 telephone lines. And a senior bureaucrat in the capital virtually set a new agenda for the government when he said: "Over a period of time, one will have to think of having contractual appointments and the right to sack people in the government."

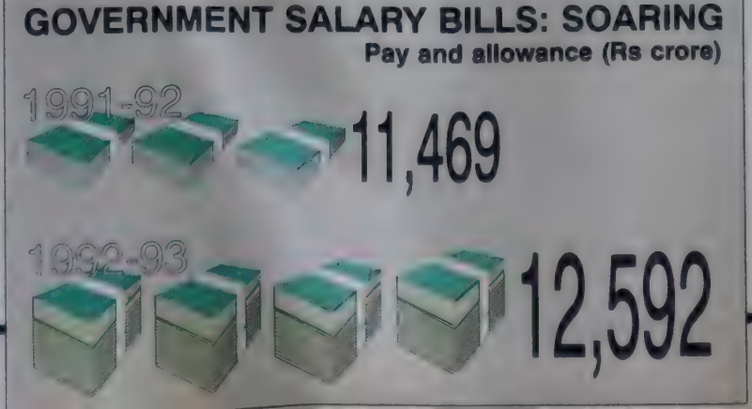
At the moment, however, that's a far cry. The government is far too worried about labour unions going on the warpath to even conceive of retrenchment. Already, IAS officers are in a tizzy. In the context of posts being abolished, a senior IAS officer said last fortnight: "Our promotional avenues will decrease considerably once the entire exercise is gone through. Having made a grade, we will be slotted in it."

Indeed, IAS officers presented a memorandum on all this to the president of the IAS Officers' Association, P. Murari. Murari, who's also secretary to the president of India, confirmed this. "Some officers presented a memorandum after which a meeting of the association was called. I have spoken to the cabinet secretary on this. He said he'd get back to me on this," Murari told *BusinessWorld* in a telephone interview. But the president's secretary cautioned that he really didn't know how many posts were being cut, and till the cabinet secretary reverted to him the association could not adopt any position on the question of abolishing posts.

At other levels, reactions have been more restrained. Says C.K. Modi: "The staff is pacified as there will be no rentrenchment. But all said and done, they can see the writing on the wall."

For all the current hope expressed in the higher rungs of the government, far more could have been accomplished if officialdom had adopted a different tack. The finance ministry spokesman may have had the last word on the whole exercise when he said last fortnight: "The government will save money not by abolishing posts but by abolishing functions like the CCI&E's. If this is done on a nationwide scale, the savings will not be just in salaries but on buildings, rent, office space, and so on. The savings will then be enormous."

□ Anup Jayaram
(With bureau reports.)



SPOTLIGHT

THE TISCO SOLUTION

Question marks still hang over Russi Mody's future in the steel major.

For weeks, the rumpus hit the front pages of the financial press. And virtually every financial journal awaited the outcome of the crucial 28 May board meeting. But when the solution to the Tata Iron & Steel Co (Tisco) tangle finally emerged, it came a day before the board meeting.

Till the morning of 27 May, Tisco chairman & managing director Rustomji ("Russi") Hormusji Mody was determined to put up a fight against the Tata Sons resolution seeking the retirement of managing directors at 65 and chairmen at 75. His determination to give battle flew against the wishes of friends on the 20-member Tisco board.



RUSSI MODY: *A face-saving settlement*

"Mody knew he was a loser, but he refused to retreat," said a Tisco board member who spoke on condition of anonymity. "And we knew that the only person who could bring sense into him was J.R.D. Tata. We then went to JRD to use his influence on Mody," said the board member who was once very close to Mody. He continued: "JRD was not sure. The two had not been seeing eye to eye. Mody had been openly talking about JRD being too old and off-balance."

Certainly, the build-up to the Thursday 28 May board meeting was nothing if not suspenseful. The retirement age matter was not explicitly spelt out on the agenda (leading Mody to deny to the press a few days earlier that it was at all scheduled for discussion), but was stated indirectly as "a confidential matter" which no other than JRD himself desired to bring up. The entire previous day was spent in informal discussions between Mody and JRD, Ratan Tata, Sharokh Sabavala and Nani Palkhivala.

On the day itself, the entire 20-member board assembled at 11 am, including Keshub Mahindra who was holidaying abroad and flew in specially at JRD's request. The executive directors were, of course, all there in force — led by J.J. Irani, the team included Ramesh Bhasin, K.C. Mehra, S.N. Pandey, Ashok Mehta, Ishaat Husain and, last but not the least, Aditya Kashyap.

In the morning, the board reviewed the excellent annual results: Tisco's turnover in 1991-92 was Rs 2,895.28 crore, up Rs 564.45 crore from Rs 2,330.83 crore in 1990-91; pre-tax profit too at Rs 278 crore was up Rs 40 crore from Rs 238 crore in the year before. The board then got through the rest of the business on the agenda.

The "confidential matter" was left for after lunch. When the board re-assembled at 2.30 pm, there was an informal meeting only of the non-executive directors. Irani and his team were called in at 3 pm, and Mody proposed Irani's name for the post of managing director. By 3.30 pm, it was all over.

"It was a great diplomatic victory for JRD to make Mody ultimately agree to the settlement," the board member said. A defeat for Mody at the board meeting on the Tata Sons resolution would practically mean the board sacking him, he argued. "It was a great settlement and saved the image of the House of Tatas, JRD and Ratan in particular, without damning Russi," he added.

The settlement has been widely reported: Mody steps down as managing director in July, but continues as non-executive chairman, with special responsibility for Tisco's international commercial dealings. J.J. Irani will then take over as managing director. A four-member committee, comprising Ratan Tata, Sabavala, Irani and Mody himself, will oversee Tisco affairs.

Nevertheless, the agreement still left several questions unanswered. Where, for instance, would this leave Mody when he attained the age of 75 next January? Would he have to step down? Neither side in the dispute has a definite answer. "Honestly, I wish I had the answer," said Tata Sons director and Tisco vice-chairman Sabavala. In an interview over the telephone, Mody said in London: "Well, I have been told that I can continue as long as I wish to." But would he wish to continue as non-executive chairman when his powers have been whittled down? Mody replies: "We never had an executive chairman. JRD was the non-executive chairman when I was

MD. Now I am a non-executive chairman. These matters will be sorted out soon."

While that remains to be seen, what's clear is that Mody has had to change his position within the space of a few days. Earlier, he had publicly stated that he would rather be sacked. Then, he held out for a fresh five-year term starting next July, with the option of choosing to go earlier than in 1998. Again, he was reported to be amenable to relinquishing the managing director's post, if he was executive chairman. The alternative he finally accepted is a far cry from his original demands.

All this came about at a time when the company's Rs 2,000 crore modernisation programme has made headway, and a giant Euro-issue is being planned to raise money. Yet unfortunately, personal equations within the boardroom are at a low. It's an open secret that Mody has been at odds with other Tata directors. The rift burst into the open last November, after Mody abruptly redesignated the executive directors of the company, without consulting (as he should have done) the entire board. The move was seen as an attempt to sideline joint managing director Irani in favour of Kashyap, executive director in charge of exports.

Faced with the clear disapproval of his colleagues on the board, and admonished by JRD himself, Mody had to back down, apologise to the board, and restore the *status quo ante* as far as Irani was concerned. Kashyap still obtained a promotion of sorts, but his new designation, "senior executive director," underlined that he was clearly junior to Irani, who remained "joint managing director."

Mody's climbdown was seen as a Ratan Tata victory. Ratan (it was felt) needed to assert his authority after he became chairman, about a year back, of Tata Sons, the apex holding company in the Tata group, and was working on an agenda to make the group a more cohesive entity.

Clearly, Mody had blundered. His move to promote Kashyap was widely seen as arbitrary, and was all the more damaging because Kashyap is personally close to Mody, and is publicly acknowledged as the older man's "adopted son."

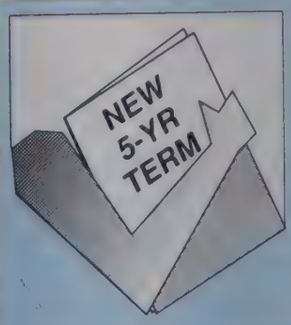
In a professionally run company like Tisco, Kashyap's meteoric rise was, rightly or wrongly, ascribed to his personal closeness to Mody. It did not help matters that Kashyap has all along reported directly only to Mody, and has had no line experience. In Jamshedpur, the giant steel mill overshadows everything else. And Kashyap's lack of experience in steel-making operations disqualified him from the title of "additional managing director" which Mody sought for him — especially since Irani's position was being made ambiguous.

Despite having to retract, Mody sought to justify his action. In informal conversations with the press, Mody mentioned that US consulting firm Arthur D. Little had rated the various executive directors, and that Kashyap scored higher than Irani in terms of "vision." The report as a whole has been kept under wraps, but versions, not those of Mody, suggest that Irani's overall total score was higher than Kashyap's. Apparently, Arthur D. Little recommended certain restructuring at Tisco which would have directly run counter to Mody's actions in recent years.

The first, and important matter, pertained to the very apex of executive authority in the company. The consultants apparently suggested that the posts of chairman and managing director should be bifurcated. Put differently, this meant that Mody should relinquish his managing directorship, and remain only as chairman.

The second, and equally important, matter was a recommendation to reorganise Tisco on profit centre lines, with steel, tubes, bearings, and the

RUSSI MODY'S OPTIONS (Discussed at Bombay House)



1 Mody seeks new 5 year term on the expiry of his current term in mid 1993, on an informal understanding that he might step down earlier.



2 Mody gives up MD's post, remains Executive Chairman.



3 Mody becomes non-executive chairman, with responsibilities for TISCO's foreign companies, including Tata Inc., and membership of a new four member committee of directors that will run TISCO. This was the final consensus arrived at.

COUNTDOWN TO A BOARD MEETING

MAY 14 THU — Russi Mody meets PM.

MAY 20 WED — Mody flies to Bombay

MAY 21 THU — Mody meets JRD and Ratan Tata

MAY 25 MON — Mody visits Tata Inc. office in Dubai. JRD and Ratan Tata meet PM in Delhi.

MAY 26 TUE — Key Tata players in Bombay. Keshub Mahindra cuts short overseas holiday and arrives in Bombay.

MAY 27 WED — Day-long, separate informal meetings between JRD, Ratan Sabavala, Palkhivala and Mody.

MAY 28 THU — 20-member TISCO board meets in the Bombay House board room. Agenda: Annual accounts, capital expenditure and other matters.

Full board meets.

Board meets again without executive directors.

Meeting ends.

various other divisions directly handling their own purchases and sales. One snag: Mody has in recent years centralised virtually all commercial functions in the hands of Kashyap. While the modernisation programme, involving very large sums of money in capital expenditure, has remained with Irani, Kashyap has been overseeing purchases of raw materials as well as stores, and the entire marketing function for finished steel.

So Mody's critics suggested that he was citing only those bits of the Arthur D. Little report that suited him, and was leaving out vital and far more important parts. And despite the stupendous $1 million paid to the US firm as consulting fee, the report has not been acted upon months after its submission, and has virtually been shelved. Further, Mody has constantly chopped and changed responsibilities among his executive directors.

In a well-publicised, highly charged and emotive letter that Irani wrote to his chairman directly after the move to elevate Kashyap, Irani accused Mody of "repeated and unsettling acts (which have) shaken the management team to the core," and wondered whether "there was any hidden reason behind (these) actions." Irani stated explicitly that despite Mody's private assurances to him that he was the obvious choice after Mody for the post of managing director, Mody's public statements did not conform to these assurances.

Even if he has not been working on some secret agenda to promote Kashyap, Mody has certainly aspired to higher responsibilities within the Tata group. In 1986 and 1987, when Telco passed through a bad financial patch and chairman Sumant Moolgaokar was crippled by arthritis and severely ill, Mody cocked an eye at the top slot at Telco. And in the course of the last two years, when JRD's retirement from chairmanship of Tata Sons was impending, Mody was obviously a contender for the overall chairmanship of the Tata group.

Things went badly wrong for Mody, because in both cases, Ratan Tata was the final choice of both Moolgaokar and JRD. Here, perhaps, lies the reason for the "enmity" or "rivalry" between Ratan Tata and Mody that the entire world has been speculating about. And when Ratan Tata spearheaded the move to make Mody reconsider his action regarding Kashyap's redesignation, Mody perhaps saw this as one more example of a "conspiracy" engineered against him by Ratan Tata.

So, when Tata Sons recently initiated a retirement policy for chief executives in the group companies, this was seen by Mody as another swipe at him by Ratan Tata. And Mody reacted sharply, perhaps overreacted as Mody's close friends today believe. He took his battle to the press, questioned Tata Sons' authority over Tisco, paraded the fact that Tata Sons held only 8% of the Jamshedpur company's equity, categorically stated that he would rather be sacked than retire voluntarily, and went off to see the prime minister on 14 May. The lurid headlines in the press, therefore, reflected what was going on.

As things have turned out, Russi Mody has perhaps suffered a terminal humiliation. His attempt to question the authority of Tata Sons has met with a stony disapproval from virtually all the non-executive directors on Tisco's board — Keshub Mahindra, Nusli Wadia, Akbar Hydari, Mantosh Sondhi, L.P. Singh and D.C. Kothari, besides the Tata Sons nominees JRD, Ratan Tata, Palkhivala and Sabavala. Prime minister Narasimha Rao obviously offered Mody little comfort — the financial institutions' nominees Sam Palia and P.K. Kaul remained scrupulously neutral, which in effect meant that Mody lost their votes.

So what went wrong for Mody?

According to sources, Mody has been on insecure ground all along. For the last many years, he has hardly spent any time at Jamshedpur, and the steel city remains, as it has always been, the heart of Tisco. The excellent operational results were turned out by the professional team of steel technologists working under Irani, while repeated steel price rises allowed profits to flow in hand over fist. Mody (together with Kashyap) spent time at Calcutta, Delhi, Bombay and overseas. In recent years, Mody and Kashyap have been abroad for over four months in a year.

So his efforts to promote Kashyap were seen as a blow to the prestige of those who really mattered at Jamshedpur. Even his worst enemies would not detract from the great contribution Mody has made at Tata Steel. Yet, even his best friends consider Mody's reactions to his disappointment at not having been made chairman of Telco and Tata Sons extraordinary.

When Mody questioned the authority of Tata Sons over Tisco, he should have chosen better grounds on which to challenge Ratan Tata, if that was really his intention. The retirement age policy at Tatas has been under discussion for several years, and has found widespread general support. When the policy was finally endorsed by the Tata Sons board, Mody (who's a board member) was absent from the meeting. He chose to see this recommendation as a personal attack, when all the Tata companies are in the process of adopting the policy. On an issue which has universal endorsement in professionally managed companies, Mody's recalcitrance seemed unwarranted.

Finally, his effort to muster political

How the new deal affects the TISCO brass



J J Irani

Becomes MD, continues to head day-to-day operations, modernisation and so on.



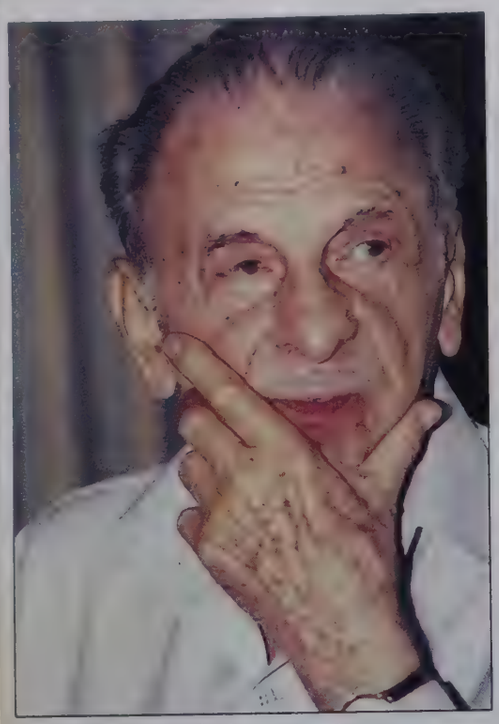
Russi Mody

S N Pandey

Executive Director, industrial relations, will report to Irani, instead of to Mody.

Aditya Kashyap

Executive Director, will report to Irani, but operationally to Mody since Kashyap heads exports.



J.R.D. TATA: *A diplomatic victory*



RATAN TATA: *Asserting authority?*

support by meeting Narasimha Rao may have backfired. Ratan and JRD Tata were insisting on an issue of principle and of professionalism, and in this instance, no worthwhile political support could possibly be forthcoming for Mody. Besides, in India, while there is enormous hypocrisy in public life, the Tatas still remain a symbol of clean business, and the political powers-that-be would obviously have hesitated to meddle in this chancy matter of boardroom personality politics. And Ratan and JRD neutralised the chances of any such intervention by also meeting the prime minister just before the board meeting.

What's also clear is that the public face of Tisco will change greatly in the years to come. Mody at Jamshedpur was larger than life, riding an elephant on his birthday, dancing with tribal workers, and making irrepressibly witty public statements. In contrast, Irani is very much the steel technocrat — direct and down-to-earth. But he has also assumed authority in recent years, and his current presidentship of the Confederation of Indian Industry (CII) has been a high point in his public life. As far as Tisco is concerned, Irani has categorically stated that there will be no immediate changes in the responsibilities or authority of the existing executive directors.

And undeniably, Ratan Tata has firmly scotched any possibility of the powerful Tata satraps going their own way — simply by insisting on principles of professionalism. Today, it is virtually certain that all the powerful executive chiefs at Bombay House, the Tata headquarters, will now fall in line.

The low equity stakes that Tata Sons has in some of the major companies (Telco, Tata Electric, ACC, and of course, Tisco) does remain a matter of vulnerability. In most of the other companies, though, the Tata holding is adequate (see chart). Clearly, unless Tata Sons can subscribe to the substantial rights issues these companies may come up with, its stakes will be further diluted. Tata Sons' ability to come up with the money just for the rights issues, let alone any preferential allotments which could help to increase stakes, is a matter of concern. The share capital of Tata Sons cannot be immediately increased to finance the requirement because the apex company is owned by trusts which need to disburse their entire incomes in charity.



The way out could well be to have a rights issue at Tata Sons which the trusts would renounce in favour of other Tata companies. Mody questioned this publicly, and it has been reported that Pallonji Mistry, a minority shareholder at Tata Sons with a 20% stake, may have some reservations. But in the end, these arguments may not find acceptance since the government and the financial institutions are clearly endorsing the Tatas in their effort to strengthen cohesiveness within the group by increasing equity stakes.

Ratan Tata has often stated his vision of the Tatas as a cohesive group where the whole is greater than the various parts. Public scepticism about this dream has existed because the Tatas have obviously been a house divided. And ironically, with the virtual exit of one of the titans in the group, this vision is now closer to reality.

If Ratan Tata is at all projected as ambitious and manipulative it has been all in a good cause, and his hands have been strengthened. He has needed help from JRD to neutralise Mody's "rebellion." But the real danger of the flagship company breaking away from the group has been averted. Finally, as a happy ending, Mody has been afforded honourable retirement. At the close of the board meeting on 28 May, tributes were paid to the leadership qualities of the man.

After the board meeting got over, champagne was served and JRD delivered a sentimental and nostalgic speech. But much more than the past, while toasts were being offered, what was perhaps uppermost in the minds of the gathering is a vision of the future where the Tata group is stronger and more cohesive than ever before, and permeated with an abiding commitment to the principles of ethical business so deeply cherished by JRD and Ratan Tata.

□ Subrata Roy with Nantoo Banerjee in Calcutta

SK BIRLA GROUP

SEEKING A GROUP IDENTITY

S.K. Birla is working on a new strategy, even as group companies embark on a major expansion drive.



BIRLA: *Changing with the times*

Meet the new Birla — in crisp all-caps italics emblazoned on a contemporary, steel-grey ellipsoid. This month, Sudarshan Kumar Birla adopts as his own this very cool and contemporary logo which explicitly states — and yet also conservatively understates — the family name.

And for the first time after the mutually agreed carve-up of the original Birla empire amongst family members, 'Birla' makes its debut as a corporate brandname. "A business organisation cannot be a dormant entity," reasons S.K. Birla, the legendary GD's eldest grandson. "Times are changing."

Uppermost in Birla's mind is the need to ensure a common culture in the clutch of widely divergent companies owned and run by him: ranging from a *pucca* Chloride with its very British antecedents to raj legacy Digjam, arguably the only woollen textiles plant in the world in a desert.

A new logo apart, group companies are embarking on an expansion and diversification drive. Here's a rundown on what's in the offing:

■ **VXL**: "VXL's spinning capacity is going up from 22,000 to 40,000 spindles. Our total capital investment on this is to the tune of Rs 90 crore including the cost of looms, finishing equipment and so on," says VXL chief executive officer (CEO) Bhim Rathke. Adds Digjam president C.L. Goswami: "A Rs 18 crore export-oriented yarn spinning unit is being planned." Engineering division presidents Y.N. Bhargava and Arindam Datta emphasise technology tieups with M/A Com of the US (for microwave communication system components), Siemens (for communication test and measuring instruments), Mitsubishi (for transmission protection systems) and Landi & Gyr (for energy metering equipment).

■ **Chloride:** "Financially, we are extremely sound with free reserves of Rs 40 crore and a borrowing capacity of Rs 120 crore," says president S.B. Ganguly. Chloride has a 31% market-share of the 3.3 million automotive batteries per annum Indian market, and a 33% share of the Rs 120 crore per annum industrial batteries market; 1992-93 should see a 10% volume growth for this blue chip company, which is executing a Rs 65-crore modernisation blueprint in two phases. It is also seeking a diversification opportunity, and is looking at options in speciality chemicals very seriously, adds Ganguly.

■ **Cimmco:** Says Sidharth Birla, Sudarshan's son: "In 1991-92 Cimmco completed its greenfield project Cimmco Spinners, a 100% EOU for cotton yarn. This is a very viable project. Cimmco is already engaged in a diverse range of activities both in India and overseas and as such has

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S K BIRLA GROUP

built up a very wide base. In future, Cimmco will build rapidly on this wide base, particularly in exports and international business fields."

■ **Mysore Cements:** President N.L. Hamirwasia says this company is setting up a 1.5 million tpa greenfield cement plant at Raipur (Madhya Pradesh) costing Rs 400 crore. It is also acquiring a sick unit near Porbandar (Gujarat) to get over the handicap of not having any port-based unit, thereby losing out on export opportunities. A greenfield plant in Nigeria is also on the anvil. A possible diversification includes a 1.5 lakh tpa, Rs 150 crore sponge iron plant in the central heartland. "It is not difficult for Mysore Cements to finance Rs 500 crore worth of investments in the next three years. If all goes well thereafter, we should be able to put up one new industry every year," declares Hamirwasia bullishly.

■ **Birla Eastern:** "We are actively focusing on improving quality across-the-board in all group companies so that ISO-9000 accreditation is available to them within this year," says president B.D. Bose. "In the short term this is a top priority." To ensure high workers' skill levels, a residential industrial training institute for frontline managers and supervisors will be shortly set up in Karnataka.

Each of these five companies will henceforth appear on a common masthead in all corporate communications pertaining to the S.K. Birla group, which Sidharth says will be "decentralised yet structured."

Earlier this year, in a move which raised many an eyebrow in the corporate world because it involved shifting Chloride's well-ensconced managing director B.D. Bose to a staff job, Sudarshan Birla reincarnated dormant group company Birla Eastern as a nodal think-tank for his Rs 1,155 crore turnover (in India) business house. According to Bose, now president of Birla Eastern, his newly defined role is integral to the smooth functioning of this business house, run as a group. Birla Eastern will provide sister companies with common consultancy services in vital contemporary action areas like total quality management (TQM), energy conservation, information technology, safety and environment. It will also assist them in business development activities like technological upgradation, project financing and so on. A groupwise managerial data bank will be maintained by Birla Eastern to facilitate training and succession planning. "There is a need for a common thread to run through all companies and bind them together," explains Birla (see interview).



SIDHARTH BIRLA: *Ethnocentric strategy*

Owing partly to quirks of family history, what with more than one earlier generation Birla being issueless, Sudarshan Birla's inheritance in the eighties turned out, quite literally to be a qualitative medley. Companies like Mysore Cements were financially weak, while Saurashtra Chemicals was close to closure. The Digjam Woollen Mills at Jamnagar (Gujarat) badly needed modernisation. Says a Calcutta-based family confidante of the Birlas whose families have known each other for three generations: "Without meaning to hurt anyone and without passing judgement on anyone, the companies Sudarshan got were junk."

Of course, 'junk' must necessarily be read here as a metaphorical term, reflecting the undercapitalisation and illiquidity of some of these companies. Even today, Birla perceives undercapitalisation as one of his prime shortcomings. His anxiety to establish a common ethos within his group can be also readily understood against the above backdrop of having to run a widely disparate clutch of companies, each in a different stage of its own life cycle.

Over the last decade or so, he has rebuilt his legacy brick by brick, despite being hampered by a relatively lack of reserves and cash. Helping him in this endeavour have been old-timer loyalists like Hamirwasia, C.L. Goswami and Bhim Rathke.

Significantly, all of them strongly commend the new group focus. "The group system will carry us very far because it involves the entire team in the planning process," reasons Hamirwasia. Says Rathke: "Because of the consultation process involved, there is less

BIRLA'S NEW GAMBIT

- A group focus and a common corporate culture. The Birla name is to be cashed in on.
- Birla Eastern becomes nodal think-tank. It will provide consultancy services to group companies and maintain a data bank on group managers.
- A business advisory council has been formed to discuss group policy.
- Rs 1,000 crore investments in expansion and modernisation. Growth in basic industries (cement, textiles) to continue. Diversification into engineering and plastics processing likely.

"WE NEED A COMMON THREAD"

Sudarshan Kumar Birla recently spent an afternoon chatting in his modest New Delhi office with BusinessWorld*'s Sujoy Gupta. Excerpts:*

■ On his conscious adoption of a group identity.

The Birla philosophy all along has been to allow each company total independence with respect to its operations. Even within a company, divisions operate on a reasonably autonomous basis. This adds to the efficiency of the respective operations because both accountability and initiative are maintained with each president having fairly expanded decision-making and management powers for his own unit.

However, a business organisation cannot be a dormant entity. Times are changing and there is a need for a common thread to run through all companies and bind them together, particularly in common functions like total quality management, energy conservation and strategic planning, amongst others. This is where Birla Eastern steps in as a think-tank, providing common consultancy services and coordinating these common functions nodally.

Also, my group's business advisory council (BAC), consisting of my company presidents, senior advisors, Sidharth and I, has begun meeting three or four times a year. The BAC discusses and informally thrashes out broader issues of common interest to all — for example, problems related to diversification. Thrust areas are discussed.

■ On what these areas are.

Each of our mainline areas are exciting: cement, edible oils, industrial and automotive batteries, textiles, chemicals and engineering. We have specific growth targets in each of these sectors and over the next few years, our group's fresh investment blueprint envisages a capital cost of Rs 1,000 crore.

Apart from this, there is an overriding emphasis on exports. In keeping with national priorities, we have adopted export promotion as a basic tenet. As such, to export is a deliberate and conscious policy with each of my companies, some of which have successfully penetrated exceedingly difficult markets. Digjam and Chloride are examples which readily come to mind.



■ On the status of his overseas ventures.

In the US, as you know, I have gone into a 50:50 partnership with Central Soya for my $70 million turnover Chicago-headquartered edible oil products company, which is now run under Central Soya management. This company is making satisfactory profits. In Nigeria, my principal company has just gone public in the Nigerian stock exchange so as to create an independent entity there. My Nigerian interests include palm oil, timber and rubber, and right now we are studying a cement tie up in that country. Nearer home, in Malaysia, my palm oil refining company is facing severe problems because of very adverse trading conditions. But Singapore-headquartered Chloride Eastern's businesses in Sri Lanka, Singapore and Dubai — where it has a lead smelting unit set up with Danish collaboration and partnership — are all proceeding smoothly. Chloride Eastern is essentially an umbrella company for all ex-Chloride group plc manufacturing operations in Asia. As far as your leading query on my aggregate overseas business turnover goes, this involves adding apples with oranges. As a very rough and indicative estimate, the $150 million range might be an appropriate benchmark.

■ On his perceived strengths and weaknesses.

In each industry where we have a presence each of our product lines has a good future prospect. Fortunately, for us, all of them happen to be in growth-oriented sectors and we have no obsolescent businesses. Therefore, we are in no danger of facing technological obsolescence either. Indeed, we have a constant policy of technological upgradation. All my plants

have to report their annual progress, not only in economic but also in technology terms.

Our principal weakness, though, has been that we are undercapitalised. So we have taken a basic decision to restructure all our capital bases. To this end, for instance, both VXL and Mysore Cements will soon expand their respective equity bases by Rs 150 crore each.

■ On what can go wrong.

I am always an optimist. But the point is that the entire Indian industry including my own group has been suddenly deprived of the protective umbrella which we had all of us consciously asked for earlier. Many of us perhaps still secretly wish that in one's own particular case the umbrella should continue! All of us are facing more and more competition, including foreign competition, on home ground. Therefore, it has become essential to re-adapt our style, our systems and our efficiency levels to meet this onslaught of competition. Managing this change is the big risk factor facing Indian industry today and we are no exception.

■ On his plans to grow through acquisitions or takeovers.

I have no interest whatsoever in this method of growth.

■ On rumours that he might set up separate corporate headquarters.

Let me make it clear that my heart is in Calcutta. But I do concede that from time to time I have toyed with the idea of relocating my corporate office. No decision has been taken. The only other venue that I have in mind, if at all, there is one is Bangalore.

■ On his perceived personal failures.

One, my temper. And two, my tendency to overtrust people.

■ On the prime lesson learnt in his business career.

Learning to fend for oneself. Because when the chips are down, one has to stand on one's own two legs.





GANGULY & RATHKE (R): *The think-tank*

chance of anyone going wrong." Adds O.P. Puranmalka, president of Porbander-based soda ash company Saurashtra Chemicals which is turning around fast: "Group identity will help a unit like ours because then its Birla connection will be apparent."

Central to the strategy is the setting up of a collegiate team presided over by Birla and which has his son Sidharth plus company presidents and senior advisors like Jahar Sengupta as members. This business advisory council (BAC) meets roughly once a quarter, usually away from the office, solely to discuss, debate and agree upon policy matters of common group interest. Naturally, peer pressure is a major subliminal factor moulding the proceedings: while no colleague can 'tell' another what he can do, he can 'suggest' a course of action. Birla agrees that intangible synergistic gains are considerable.

There is also a Japanese-style consensus involved here. For instance, the capital investment plans aggregating Rs 1,000 crore for the group's mainline companies (see interview) were discussed threadbare by the BAC before being approved by it. Therefore, these plans have the involvement and the commitment of all top managers; each president can use another as a resource at the informal level without feeling constricted or embarrassed because likely glitches and hitches are not a secret at that level. In other words, in academic terms, the formal management structure is being supplemented with an informal one to increase efficiency.

Yet, time is not on Birla's side. Having begun with a handicap, it has taken him quite some time to build up his business to the Rs 1,000 crore-plus mark — the appropriate respectability level for a Birla. With the "onslaught of competition" (his words) a major factor to contend with in the emerging domestic market, he can hardly be blamed if he acts with a sense of urgency.

OVERSEAS VENTURES

Also, some of the overseas business ventures launched by S.K. Birla in earlier years have run into problems. At the moment, both Sudarshan and Sidharth Birla are spending a rather disproportionate amount of time looking into the awry affairs of their palm oil refining company in Malaysia. The "very adverse trading conditions" which have befallen this company are not, according to clued-in sources, the fallout of external environmental factors. While it would be unfair to pass judgement on Birla's Malaysian mishap because its affairs are still being looked into, it is not a secret that indiscriminate financial adventurism on the part of the local top management is likely to have led this palm oil refinery into trouble. Like any good captain, Birla carries the can: "If I trust a person, I give him my complete confidence." (Company head P.N. Agarwal has since been shifted to Singapore.)

In the US, Birla's edible oil products unit in Chicago which was once floundering in its attempt to penetrate the US domestic market is now making "satisfactory profits" after Central Soya of the Ferruzzi group

SK BIRLA GROUP



BIRLA HOUSE: *A common culture*

stepped in as a partner with management responsibility. Incidentally, Central Soya is also Birla's 40% partner in Sidharth Soya Products, the Indore-based unit which was delinked from VXL in January and spun off as an independent entity. (Central Soya is one of the world's largest companies in the soya business.)

Birla also has a longstanding but modest business interest in Nigeria encompassing palm oil, timber and rubber. Very recently, his principal Nigerian company went public in the domestic stock exchange there. Right now, Birla is actively examining the feasibility of setting up a 1.5 lakh tpa greenfield cement plant in Nigeria with Prince Ado Ibrahim as a partner; International Finance Corp, Washington is also involved in this project which is in the planning stage and has Mysore Cements as its promoter.

A few international trading companies apart, Birla's other significant overseas manufacturing presence is in Sri Lanka, Singapore and Dubai. Chloride Eastern has battery manufacturing plants in Sri Lanka and Singapore, while at Dubai a synergetic lead smeltering plant was commissioned last year with Danish collaboration and partnership.

All told, Birla's overseas ventures clock up an aggregate turnover of the order of $150 million, although this figure is merely indicative because some revenues are in weak local currencies. However, the glamour of doing business overseas — group company Cimmco even runs a sugar mill in Cuba — is passe for India's first business family. "Geographical spread and turnover targets are minor inputs to our basic strategy," avers Sidharth Birla.

According to the younger Birla, a squash enthusiast who lives in New Delhi, this strategy is conceptually ethnocentric and essentially two-pronged. At one level, it involves growth in basic industries like cement and textiles; at the other, it envisages consolidation of existing businesses followed by synergistic diversification, specially in engineering and plastics processing (see box for specific targeted capacities in different fields).

Crystal gazing a bit, one can reasonably predict that the group will establish itself as a major influence on the Indian business polity; S.K. Birla's personal stature which grew during his tenure as president of the Federation of Indian Chambers of Commerce & Industry will doubtless ensure this. (Several seminal governmental policies like rupee convertibility, the foreign exchange remittances scheme, the 60:40 ratio for free foreign exchange etc were all suggested by Birla.)

True, Birla has made mistakes in the past, but he is candid enough to own up to them. Finally, several hard knocks later, he feels sure enough to 'corporatise' his famous surname and create a specific group image of his own, something which even his eminently successful and manifestly larger cousin Aditya Vikram Birla has not yet done. And so it is that at age 58, when lesser mortals prepare for retirement, Sudarshan Birla has finally overcome his struggles and is launching himself — once again.

□ Sujoy Gupta

ARMOUR GROUP

A NEW PRESCRIPTION

The Rs 75 crore Armour group of drugs and chemicals companies is on a furious expansion spree.

For years, the Rs 75 crore drugs and basic chemicals Armour group chugged along slowly, but steadily. Suddenly, all that is changing. The pace is picking up, and aggressive expansion plans are being unveiled.

In the works is a new company to produce penicillin-G; a doubling of production capacities at the recently launched Armour Polymers; several new products, including five cancer drugs; and branch offices in Europe and south east Asia. "Yes, the change has taken place according to the time frame set," says group chairman Atma B. Gupta.

Indeed, the group is investing over Rs 90 crore in all this. The expansion and diversifications, Gupta hopes, will help his five-company group's sales to polevault to over Rs 125 crore in the next two years.

Certainly, that's an ambitious target to set. But it's backed by several developments at his companies. Among them:

■ Armour Polymers Ltd (APL), the group's only public limited company, is poised to go into commercial production this month. The company makes raw materials for the pharmaceuticals, chemicals and dyestuffs industries, and plans have been drawn up to double capacity to 1,240 tonnes per annum (tpa) at a cost of Rs 10 crore. The Madhya Pradesh (MP)-sited APL will also manufacture, at a separate plant on the same location, two new products (3-cynopyridine and 4-cynopyridine) by the year-end. Finally, APL is readying to produce the five cancer drugs at a plant in Gujarat. A pilot plant has started production, but commercial production is slated for next May. All these should bring APL additional sales of nearly Rs 50 crore in two years.



GUPTA: *Unfazed by the DPCO*

■ Armour Chemicals Ltd (ACL), the group's Rs 60 crore (18-month sales) flagship, is setting up a plant to convert penicillin-G to 6-amino penicillin acid (6-APA), a basic raw material for the manufacture of ampicillin and other antibiotics. The goal here is not additional sales, but to reduce dependence on suppliers.

■ The new company to make penicillin-G is to be located in Gujarat. The Rs 75 crore project cost is to be financed in phases by institutional loans. Talks are on with Rhone Poulenc of France, Brocades of the UK and Meija of Japan for the technology. The plant is expected to go on stream by 1993-end.

■ The group's also pinning some hopes on a new, state-of-the art antibiotic called cephalosporin which is rapidly replacing ampicillin in Europe. Armour has started making the high-priced drug at its MP plant and will test-market it next month. Referring to the foray, Gupta says: "This is still in the hybrid stage, though we have made significant progress." However, several other drug manufacturers, including Alembic Chemicals, Lupin Laboratories and Cadila are in the race to launch cephalosporin.

In all this, the name of the Armour game is backward and forward integration, with a renewed focus on exports thrown in. The group makes antibiotics, bulk drugs, intermediates, formulations, and basic chemicals and polymers. Group enterprise Vista Organics makes bulk drugs and drug intermediates. Two years ago, the group went downstream by launching Armour Biotech (expected sales in 1991-92: Rs 2.5 crore) to manufacture formulations from the bulk drugs it produces.

And the backward integration into penicillin-G, for instance, will cut the group's dependence on the import of the raw material and on local suppliers Hindustan Antibiotics Ltd (HAL) and Indian Drugs & Pharmaceuticals Ltd (IDPL). Companies that seek to import penicillin-G are legally required to first prove that they've hawked half the ampicillin produced in the domestic market. Effectively, would-be importers have to first buy penicillin-G from HAL or IDPL, make and sell ampicillin from

ARMOUR GROUP

it, and then seek permission to import penicillin-G. Imported penicillin-G costs less than HAL's or IDPL's penicillin-G.

More fortunate. Still, Armour has been more fortunate than other drug concerns in this respect because it exports 95% of the ampicillin it makes. So it's entitled to import penicillin-G against its ampicillin exports. Sometimes, the group buys 6-APA from the Delhi-based Max India and then processes it into ampicillin. Says group president T.N. Sen: "We do this only when we find that the international prices of penicillin have shot up."

The group's basic gambit, then, is to step up the production of drugs for export so as to make raw material imports easier, and to usher in a new range of higher value-added products to replace older generation drugs. In step with this, the two-year-old Armour International is laying the ground for a bigger export thrust by setting up branch offices in European and south east Asian countries.

For all the good news, the group has had its share of problems. Armour Biotech is still losing money (company executives claim that most formulation manufacturers tend to be initially in the red), Vista Organics turns in low profits (Rs 18.5 lakh in 1991-92), thanks to the high cost of imported raw materials, although it has the distinction of being the world's largest manufacturer of pyrazinamide, an anti-tuberculosis drug.

If the Armour group has flourished, it's because most of the drugs it turns out don't fall in the Drug (Prices Control) Order (DPCO) net. Asked for an assessment of the group, a German Remedies executive said: "Because they are small and many of their products are not affected by the DPCO, they are able to give us a tough fight. The true test will begin when they begin to expand their areas of operation."

Gupta's only too aware of this, but remains undaunted. "We'll continue to make those drugs, drug intermediates and antibiotics that nobody produces and which are export-oriented." That prescription should carry the day for the Armour group.

□ Jiten Mehta

BCML

SWEET SUCCESS

Balarampur Chini sugar mills' travails seem to be over, and sales are climbing.

Vivek Sarogi is rather pleased with the sugar company he's associated with. After winning the national productivity awards twice in the eighties, Balarampur Chini Mills Ltd (BCML) is integrating forward into paper using bagasse as raw material. The price tag: Rs 50 crore. The Calcutta-based businessman also expects sales this year to climb to Rs 90 crore, up Rs 36 crore from last year's Rs 54 crore.

That's a far cry from the travails of the past. Between the late seventies and early eighties, BCML passed through rough times. Indeed, it was on the verge of closure. Only two expansion plans which pushed up annual production capacities at its plant at Uttar Pradesh from 1,600 tonnes to 4,000 tonnes saved the day.

Today, BCML director Sarogi says: "Having been able to make a turnaround and seeing our liquidity position grow, we wanted to involve ourselves more in the sugar business." To be sure, BCML has already displayed its commitment to sugar. In September 1990, it took over the sick Seksaria Sugar Mills, sited some 90 km from the BCML mill in Uttar Pradesh, for Rs 1 crore and brought it into BCML's fold as a division. Last year, the Sarogis cleared the mill's dues of Rs 2 crore to farmers, and expanded the plant. "This was absolutely essential because all the machinery had become old and needed immediate renovation or replacement," says Sarogi. The Rs 32 crore invested in this came from internal accruals, and by way of aid from the institutions and the sugar development fund.



SAROGI: *Committed to sugar*

More productive. Certainly, the new machinery has helped step up productivity at the mill. Cane recovery has gone up from 8.5% to 10.1%. When translated into production and money, this has meant an extra 25,000 bags of sugar, or an annual addition of Rs 1.5 crore to company coffers.

While that has helped, there's no denying that older sugar mills are at a disadvantage to newer ones. This is simply because the government slaps a 45% output levy on old mills, versus an 8% levy for new ones with a capacity to crush 2,500 tonnes of cane a day. Acknowledging the point, Sarogi explains: "This is why there's been more interest in starting new units or taking over sick units whose capacity can be raised to 2,500 tonnes a day. Big units with large capacities are unable to make money, while new or expanded units are flourishing."

That certainly raises questions about BCML's future. Meanwhile, with farmers receiving payments late, several are shifting to other cash crops. Aware of this, Sarogi is trying to put things right by paying farmers quickly and by launching a farmer training programme at a cost of Rs 1.5 crore.

Sarogi, in the meantime, has set a turnover target of Rs 100 crore for his mills, to be met by 1993-94. That might seem like a tall order, given that sugarcane output is subject to crop failures and natural calamities. Yet if his target is met, the sweet taste of success awaits him.

□ Ashoke Laha

MADHUSUDAN INDUSTRIES

A WELL-OILED FOUNDATION

Madhusudan Industries has set its sights high.

What's vanaspati doing with tiles? At Madhusudan Industries Ltd (MIL) that strange product mix is laying a well-oiled foundation for the future. With its vanaspati division accounting for more than 70% of MIL's Rs 100 crore turnover in 1991-92 and the Cera brand of sanitaryware firmly ensconced in the market the company is now poised to set a scorching pace. MIL's self-effacing chairman Vikram Somany says: "This year, there's been a 25% increase over the previous year. That should treble in three years."



The MIL chairman, whose father O.P. Somany had launched market leader Hindustan Sanitaryware (MIL itself has no links with Hindustan Sanitaryware), is targeting a turnover of Rs 330 crore by 1994-95, with net profit moving up from Rs 4.66 crore last year to a sizeable Rs 17 crore. Somany's gameplan is simple: increase capacities in the vanaspati division — refined oils and vanaspati under the Madhuram brand — even as Cera ensures its grip over the market with enhanced production of sanitaryware.



ONE OF MIL'S PLANTS & VIKRAM SOMANY (INSET): *Gung-ho about expansion plans*

As MIL's Rs 55 crore expansion gets under way, solvent extraction capacity has already been hiked from 45,000 tonnes per annum (tpa) to 75,000 tpa at MIL's Rakhiyal vanaspati plant in Gujarat. Meanwhile, production of vanaspati is to be increased from the present 50 tonnes per day (tpd) to 75 tpd by August this year.

MIL is setting up a second solvent extraction plant at Nimbahera in Rajasthan's Chittorgarh district. Expected to go on stream by next March, the Rs 6 crore plant with an installed capacity of 75,000 tpa will double MIL's solvent extraction capacity (scheduled to be doubled yet again in 1995). By then, the company hopes to grab a larger share of the refined oils market with a Rs 10 crore oil refining plant at Nimbahera to manufacture rapeseed oil.

What could be indigestible for the bottomline, however, is the shift in consumer preference from a high cholesterol cooking medium like vanaspati. But the prospect leaves MIL executives unfazed. Explains MIL executive vice-president Bimal Patodia: "Switching to producing more refined oils and less vanaspati is no problem because both are extracted at different stages in the same process."

MIL is also cashing in on sales of de-oiled cakes (a residual byproduct of solvent extraction which is used as cattle feed). Last year it exported de-oiled cakes worth Rs 1.6 crore (sanitaryware exports in contrast notched up just Rs 1.54 crore); domestic sales accounted for Rs 12 crore. After the Rakhiyal expansion, exports are expected to touch Rs 3 crore, while sales within the country will net Rs 18 crore.

Meanwhile, the company is busy carving out a niche in the crowded ceramic tiles market. The tiles market has an estimated demand of three lakh tpa, little of which comes MIL's way. MIL's strategy is to concentrate on wall tiles — a less competitive segment than the highly-crowded market for floor tiles. Explains Somany: "We decided to make tiles because of synergy with sanitaryware. We are concentrating on wall tiles because there are fewer players than in floor tiles."

To do that, MIL has planned a Rs 25 crore ceramics complex to manufacture glazed wall tiles with a 25,000 tpa capacity, to be set up near Delhi. The company is also bolstering its presence in the sanitaryware market. Cera accounts for 9,000 tpa of the total organised market of 40,000 tpa; market leader Hindustan Sanitaryware sells 14,000 tpa. But, says a senior Hindustan Sanitaryware executive who asked not to be identified: "We're now viewing MIL as a potential threat over the next few years."

MIL is also trying to wean away a large chunk of the flourishing unorganised sector which accounts for 40,000 tpa — and is priced 40% cheaper. Still, that doesn't mean a price war. Says Somany: "Our range is for the upper end of the market. And that's growing at 6-7% annually."

To keep pace with demand, MIL is expanding the sanitaryware capacity at its Kadi factory in Gujarat from the existing 9,000 tpa to 16,000 tpa. Simultaneously, it's cutting costs. At Kadi, new fuel-efficient kilns are being installed to reduce natural gas consumption from 3,000 kilolitres/kg to 1,100 kilolitres/kg. The saving: a cool Rs 1.25 crore per annum.

Strangely, MIL executives are cagey about the funding for new projects. The company made a public issue in 1989 which was oversubscribed 17 times. But it now plans to raise capital for the initial expansion through term loans and internal accruals. Somany's unwilling to reveal plans to tap the capital market for the later stages.

What is clear though is that MIL is confident of not slipping on its ambitious expansion plans. Even if it does choose to mix oil with tiles.

□ D.N. Mukerjea

AKBARALLYS GROUP

ADDING TO THE CHAIN

The Akbarallys group draws up expansion plans.



F.T. KHORAKIWALA: *Going strong*

To most people, Akbarallys is just a department store chain in Bombay. But scratch below the surface and a Rs 140 crore group involved in a variety of activities shows up. Pharmaceuticals, food products, aluminium foil, egg distribution and veterinary products are some areas its companies are involved in. Headed by chairman Fakhruddin T. Khorakiwala, the group is wholly family-owned; hence, it has preferred to stay away from the corporate arclights. But with a string of plans drawn up for its two major companies — Wockhardt and Akbarallys — it is emerging from the purdah. Says Khorakiwala: "The times have changed today and we are looking ahead to growth."

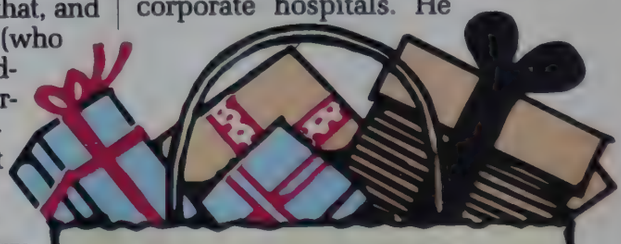
The group sure is. Sure it is. The Rs 25 crore Akbarallys, which has so far confined its stores to Bombay, is finally branching out to other cities. First to Pune; to be followed by Hyderabad. Khorakiwala is quite enthused about the Pune venture. Says he: "It's a shopping mall we are talking about. It will have a bank, post office, eateries, creche, rows of competing stores, lifts, escalators, the works. Mother can shop in leisure without worrying about her kids. It will be luxury and pleasure shopping at its best." The project cost: close to Rs 20 crore. The mall will cover some 1 lakh sq ft of shopping area with another 1 lakh sq ft set aside for offices.

Akbarallys, however, will not have to ante up all the moolah for the venture. A local businessman is doing that, and Khorakiwala and his son Habil (who heads Wockhardt) are providing him with technical expertise, apart from taking an equity stake in the project. Most shopping malls normally have what is called the anchor store around which everything clusters. And the onus for setting that up has gone to Akbarallys. "But we won't be putting it up ourselves. The Akbarallys name will be franchised out," says Habil. This is another first for the company. So far the management had been wary of lending its name to a third party. If things work out right, Khorakiwala hopes to take the tack national. Says he: "Our name is a product. Retailing is dynamic; it's all about service, and we are looking for the right kind of people who look at it that way. Our philosophy is not to sell but to help the customer make the right choice."

Khorakiwala claims that the chain is on a good wicket with growth being in the region of 15-20% per annum. But that figure means that turnover is growing just about at the rate of inflation; real growth probably is marginal. The untiring 74-year-old who's handed over day-to-day operations to professionals is more than aware of this. Therefore, he's devising ways to lure new customers to his stores, apart from retaining existing ones. One concept he's quite enamoured by is creating an Akbarallys credit card. Says he: "I look at it as an instrument that will help customers pay in instalments over a particular period. This should benefit them a lot."

The group's other major outfit, Wockhardt, is also getting ambitious. The company is involved in a slew of activities — pharmaceuticals, bulk drugs and intermediates, parenterals, infant nutritives, animal health care, agricultural and hospital supply products, hospital health-care services and biotechnology research. It has drawn up a Rs 150 crore expansion plan. This includes:

- Adding another 2-3 super speciality corporate hospitals to the two (one each in Bangalore and Calcutta) existing ones. Habil Khorakiwala says Wockhardt is doing just fine in this field — a statement that's quite in contrast with the experiences of some corporate hospitals. He



THE AKBARALLYS GROUP: A SNAPSHOT (Turnover 1992: Rs crore)

Wockhardt	100
Akbarallys	24
Poultry & Allied Products	5
Panama Marketing	2
Akbarallys Pharma-Vet	5

Source: The group.

AKBARALLYS GROUP



HABIL KHORAKIWALA: *Export drive*

explains: "We've focused on special areas in our hospitals — urology, nephrology, gastroenterology and heart ailments, for instance — unlike the rest who've been generalists."

■ Giving a thrust to the company's animal health care products range. Says Habil: "We aim to be No 1 in this category; today we control some 5-6%." He's hoping that the wide range of manufacturing capabilities available at the company's six plants will help him offer a spectrum of products to thrash the competition.

■ Moving into the manufacture of newer bulk drugs and formulations, while expanding capacities of existing ones. Besides this, the company plans to increase its export drive. Two drugs that Habil has identified for this purpose are norfloxacin and ciprofloxacin.

"We normally develop a drug in-house and then sell it domestically for a while and finally move out into global markets," says Habil. The strategy has worked in the case of dextropropoxyphene (an analgesic). Wockhardt controls 35% of the world's production of this bulk drug and exports nearly 65% of what it produces. What should give the company's efforts a legup is the recent US Food & Drugs Administration clearance it received for its bulk drug and tableting facility. Wockhardt has also reworked its export strategy. The company's managers have divided the globe into zones, with a man in charge of each. "Exports were Rs 10 crore in 1990-91. They will treble to Rs 30 crore by next year," says Habil.

■ Hiking the capacity of parenterals at the company's Waluj facility by 25 million within the next 18 months. The Rs 14 crore parenterals plant has been set up in collaboration with Fresenius of Germany,

■ Offering consultancy services to companies in African and west Asian countries. Wockhardt's technology transfer group recently helped a Syrian company put up a plant to make veterinary products. Habil is scouting around to sign up many more such deals.

The expansions that Habil is seeking to implement will require huge sums of money. For a long while now, the company has tapped internal accruals for this purpose, but Habil feels it's about time Wockhardt broke away from this cycle. Come October-November 1992 and Wockhardt will hit the capital market. Habil expects the issue to attract a good premium. Says he: "There's no reason why it shouldn't. In 1991-92, the cash profit was Rs 20.30 crore on a gross income of Rs 110 crore. Our earning per share was a healthy Rs 180."

In fact Habil is so bullish about prospects that he's even willing to forecast that Wockhardt will take the leap into the Rs 500 crore turnover league. "Nothing really can stop us from getting there. We have a strong research and development base and we have the will to get there," says Habil.

□ A Correspondent

THE OTHER OUTFIT

Most large family groups in Indian industry have been victims of the split syndrome. Fearful that the disease would strike his small but quickly-growing Akbarallys group, Fakhruddin T. Khorakiwala split it into two around five years ago. He handed over Monginis Foods, a large cake-making company which had a handful of exclusive stores and a bakery in Bombay, to his brother H.T. Khorakiwala, retaining Akbarallys and Wockhardt for himself. Says he: "There was no acrimony at all. The next generation was growing up. It's possible that they may not have seen eye to eye with each other. So, I decided to divide before anything of that kind took place."

Today, even Monginis is in a quick-growth mode. Run by H.T's sons, Zoher and Kumel, it has been expanding at the rate of 5-6 franchised retail stores every year. Some 62 Monginis franchised outlets dot Bombay and its suburbs, and the brothers have widened the range of products each outlet stacks to include everything that relates to parties and occasions. "Monginis retail stores have been upgraded and hands-on called Treat Shops. Our pitch is: when you have a party think of Monginis — your one-stop shop for your partying needs," says Zoher.

Offering everything from cakes and pastries to chips, caps, candles and frozen foods, the Monginis stores are rolling in bread. In 1992, they chalked up a turnover of Rs 10.70 crore. But that's peanuts for the brothers. According to Zoher, Bombay can easily absorb up to 100 Monginis outlets.

And all his attempts are geared towards attaining that target. The company has also set up a bakery in Calcutta; and is all set to get going with its first Treat Shop there. Then Zoher is also thinking of taking the Monginis label to Bangalore and Delhi in future. Says he: "These are markets where we see scope."

KUMEL (LEFT) & ZOHER KHORAKIWALA: *Living it up*



BRIEFS

■ **Nippon Denro Ispat** is setting up a one million tonne capacity gas-based sponge iron project in Alibag, Maharashtra. The project is in an advanced stage of implementation.

■ **Raymond Woollen Mills,** controlled by Vijaypat Singhania, is setting up a



VIJAYPAT SINGHANIA: *On to sponge iron*

Rs 600 crore, 7.5 lakh tonne capacity gas-based sponge iron project at Kakinada in Andhra Pradesh. The project which is still awaiting central government clearance, is expected to go on stream in about two-and-a-half years' time.

■ The Calcutta Port Trust (**CPT**) has signed a memorandum of understanding (MoU) with Tata Iron & Steel Co (**Tisco**). Under the MoU, Tisco will have exclusive rights to utilise one of the port's berths for commercial purposes.

■ **Mardia Extrusion,** which makes copper, brass and zinc products at its plant at Tarapur in Thane district of Maharashtra, is setting up another unit at Silvassa in Gujarat to enhance its manufacturing activity. The company has undertaken this expansion project at a cost of Rs 4.28 crore so as to cater to the huge export demand.

■ The ministry of petroleum has agreed in principle to Hindustan Petroleum Corp Ltd's (**HPCL's**) proposal for a tieup with ARI of the US for securing basic engineering and technology for setting up a Rs 18 crore sulphur plant at Visakhapatnam.

■ The Board for Industrial & Financial Reconstruction (BIFR) has cleared the merger of the ailing **Odin Metal Powders** with **Sundaram Fasteners.** The latter has already purchased shares of Odin from Andhra Pradesh State Industrial Development Corp, which was a joint promoter of the company.

■ The National Aeronautical Laboratory (**NAL**), Bangalore, is to soon tie up with Moscow-based design firm Myasischer Design Bureau (**MDB**) to develop the 14-seater twin turbo-prop light transport aircraft (LTA). The total expenditure on developing the LTA is estimated at Rs 80 crore. NAL and MDB will share the costs.

■ Telecommunications Consultants India Ltd (**TCIL**), a public sector enterprise under the ministry of communications, has signed a contract with the Republic of Benin, West Africa, for the design and implementation of cable networks in their main city, Porto Novo. The project will be financed by the Asian Development Bank and the duration of the contract is 18 months.

■ India Rubber Ltd (**IRL**) is setting up a project to manufacture pre-cured tread rubber, bonding gum and vulcanising solution at a cost of Rs 4.57 crore at Hyderabad. The new project will be in addition to its pilot plant at the same location.

■ **Karnataka Chemsyn,** in a joint venture with Karnataka State Industrial & Investment Corp, is setting up a bulk drug project to manufacture ibuprofen, fluoxitine and frusemide. The Rs 4.5 crore plant will be located at Jigani industrial estate near Bangalore.

■ Reliance Industries Ltd (**RIL**) of the Ambanis is implementing a Rs 1,025 crore joint venture with C. Itoh of Japan to set up downstream units at its Hazira cracker complex.

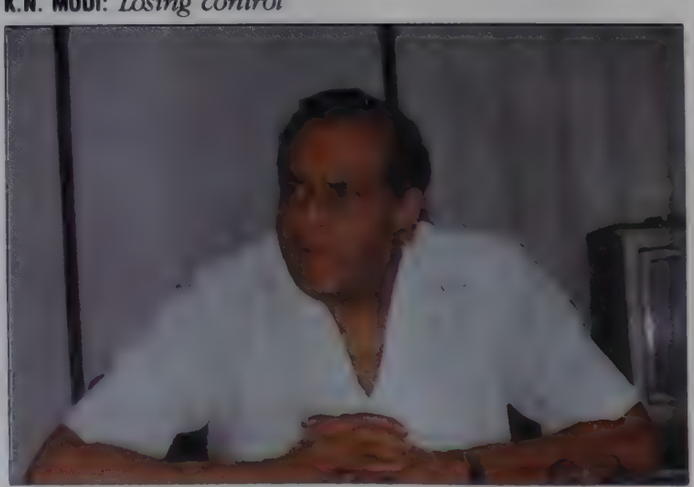
■ The National Thermal Power Corp (**NTPC**) has awarded Asea Brown Boveri (ABB) a contract for a 650 mw combined cycle power plant at Gandhar in Madhya Pradesh. The order value for ABB amounts to approximately $305 million. The power plant is scheduled to go on stream in 1995.

■ The Monopolies & Restrictive Trade Practices Commission (MRTPC) has issued a show cause notice to Haryana Drugs & Pharmaceuticals (**HDP**) for allegedly indulging in unfair trade practices while selling its shares, says *The Economic Times*. According to an applicant, the company collected about Rs 1.40 crore "by flouting controller of capital issues (CCI) regulations and s.68 of the Companies Act."

■ Higher costs of production and lower margins have forced **Pfizer** to withdraw three drugs, including an anti-TB drug, from the market. The company has decided to stop the production of Isonex (generic name isoniazid). It has also decided to stop manufacturing Delta Cortril, a steroid preparation, and Terramycin.

■ Financial institutions have decided to substantially hike their stake in **Modi Cement** by converting nearly Rs 18 crore of term loans into equity at par. The exercise of the conversion option will substantially dilute the control of the K.N. Modi family over the equity of the company.

K.N. MODI: *Losing control*



BRIEFS

■ Victory Glass & Industries Ltd (**VGIL**) is diversifying into the manufacture of soft-drink bottles. The Bangalore-based company is also undertaking a Rs 6.5 crore modernisation project to expand its existing range of wide-mouthed bottles.

■ **J.K. Petrochemicals,** promoted by the Singhanias, has tied up with Krupp Koppers of Germany for implementing the engineering design of the Saleempur petrochemicals project for the manufacture of PTA, used for making polyester fabrics.

■ The engineering consultancy division of Fertilisers & Chemicals Travancore (**Fact**) has bagged an order to provide engineering consultancy and management services to set up the Cauvery basin oil terminal of Bombay-based Bharat Petroleum Corp.

■ **Canara Steel** of the Manipal group is setting up an integrated mini-steel plant at Baikampadi in Mangalore at an initial investment of Rs 600 crore. The plant will produce 2.5 lakh tonnes of steel annually.

■ West Bengal's first acrylic fibre project at Haldia is scheduled for completion soon and conducting trial runs next month. The project is coming up under the aegis of **Consolidated Fibres & Chemicals**, promoted by Bakelite Hylam of the Duncans group in association with the West Bengal Industrial Development Corp.

■ **Nahar Spinning Mills** is setting up a spinning unit with a production capacity of 50,400 spindles for making cotton yarn at an estimated cost of Rs 76.18 crore. The unit will be located at Mandi in Madhya Pradesh.

■ **Reckitt & Colman of India,** the consumer products giant, has been pulled up by MRTPC for allegedly indulging in unfair trade practices. MRTPC has issued an interim injunction restraining the company from continuing a sales promotion contest.

■ **Pawan Hans,** at the instance of the ministry of civil aviation and tourism, has worked out a scheme for starting helicopter services linking remote areas of the north-east to more important centres.

LAUNCHES

■ Thermax, the Pune-based engineering company, has introduced



THERMAX-McCLOY TEA DRYER: *High quality*

a high-output and energy-efficient **fluidised bed dryer** for the tea industry in collaboration with J.F. McCloy of the UK. The dryer gradually reduces the moisture content in tea leaves after fermentation from 70 to 2.5% in a two- or three-stage process while preserving the characteristics of high-quality tea.

Contact: Thermax, Thermax House, 4 Bombay Pune Road, Shivajinagar, Pune 411 005. Tel: 51123. Fax (0091-212) 55041.

■ Madras-based company Albert Einstein P. has launched a **mineral water** under the brandname Sujal aqua pura minerale in one litre PVC bottles, three litre bags and five litre HDPE cans. Sujal is purified by the reverse osmosis technique and has low mineral content.

Contact: Albert Einstein P., 16, 3rd Avenue, Besant Nagar, Madras 600 090. Tel: 4918864/0102. Fax: (044) 72070.

AWARDED

■ Grasim Industries chairman Aditya Birla has bagged the Bombay Management Association's (BMA's) **Management Man of the Year** award. Other recipients of the award are Richard C. Hartland, managing director of Hindustan Ciba-Geigy, (best article published in the *BMA Review*), H.H. Mankad of the Narsee Monjee Institute of Management Studies (NMIMS — best teacher of management) and Ramaswamy Krishnan of NMIMS (best management student). The awards were presented on 27 May.

■ N.P.V.S. Raju, managing director of DCL Finance, has been presented the **Udyog Rattan** award by the Institute of Economic Studies, New Delhi, in recognition of the company's achievements in productivity, quality, innovation and management in 1991.

■ C.L. Jhunjhunwala, a non-resident Indian (NRI) based in Singapore, has bagged the **Vijayshree** award instituted by the International Friends Society of India. Jhunjhunwala is at present chairman of Hotel Imperial in Singapore.

■ The Bombay University has approved the award of doctorate to R. Srinivasan for his thesis on **Priority Sector Lending — An Indian Experience,** submitted under the guidance of B.D. Ghonasgi, former head of the university's commerce department. Srinivasan has been an eminent banker for over four decades. He has served as chairman of New Bank of India, Allahabad Bank and Bank of India, besides having a stint as chairman of the Indian Banks' Association.

HAPPENINGS

■ The Institute of Marketing & Management (IMM) is organising a two-day workshop on **"Improving efficiency of private secretaries and executive assistants"** in New Delhi from 29 June.

■ The Trade Association is organising an all-India **credit card show** between 3-5 July at Hyatt Regency Hotel in New Delhi. Banking institutions and credit card divisions of foreign and domestic banks will participate in the show.

Birds of a feather



A member
of the VH Group

progress together



Venkateshwara Hatcheries Limited (VHL) – Asia's largest poultry house – will now witness even further progress alongwith its companion company – Venky's(India)Limited. Together they embody pioneering performance and a 'nest-full' of achievements.

The growth of Venkateshwara Hatcheries is synonymous with the growth of Poultry Farming in India...

With over forty hatcheries, VHL and its associates meet the demand for day-old layer and broiler chicks, to the extent of 75% and 50% of the market respectively. It's group company, Western Hatcheries Ltd., is an acknowledged leader in it's field. Many 'firsts' and a basketfull of awards have marked VHL's phenomenal pace.

Now, Venky's (India) Limited will match the strides. The Company, presently in Animal Health Products and Poultry Feeds, is going into broiler breeding farms for commercial use and also plans to market a whole range of Venky's processed poultry products, throughout the country. In addition, it will produce 36,000 tpa of pelletised animal/poultry feed. The company plans to further diversify into the areas of solvent extraction and manufacture of bulk drugs, formulations and chemicals for poultry and livestock use.

Indeed, there's an eggciting future ahead for Venky's (India)Limited.

Venky's (India) Limited – Eggsperts

Venky's (India) Limited

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VOLUNTARY RETIREMENT SCHEME



SEPARATION, SANS SORROW

A voluntary retirement scheme wave is hitting Indian companies.

Two years ago, motorcycle manufacturer TVS Suzuki puttered down a bumpy road: After a year-long lockout, and battered in the marketplace by aggressive competitors, losses mounted to nearly Rs 6 crore. Its share of the motorcycles market tumbled. TVS Suzuki's response: a decision to prune the 2,376-strong workforce it had accumulated over the years.

In January 1991, TVS Suzuki offered its employees a voluntary retirement scheme that cut through ranks. The first targets of the scheme were the company's 492 supervisors. The offer: payment of 15 months' salary, plus all other allowances. The final package: Rs 60,000 to Rs 1.2 lakh, depending on the duration of service in the organisation. Nearly 80 supervisors opted for the scheme over a period of five months.

Buoyed by such success, the company introduced a similar scheme for its 1,377 workmen, once in April 1991 and again on 15 January 1992, for one month each. The package included a month's salary for every year of service completed and 15 days' salary for the balance period, plus all other allowances. The net amount varied between Rs 35,000 and Rs 1 lakh — enough to attract nearly 480 workmen.

The golden handshake — it's something few companies give their staff unless forced to, and something fewer still ever want to talk about. But as Indian industry braces itself for global challenges, companies are being forced to take a hard look at this option in a bid to cut costs and remain competitive. Steel Authority of India (Sail) director for personnel and corporate planning Arvind Pande says: "We have to be globally competitive. So, we have no other option."

Companies as disparate as Premier Automobiles, ICI and Universal Luggage are handing out attractive farewell presents — up to 10 years' severance pay in some cases — to unwanted employees as inducements to quit.

To be sure, the golden handshake has been around for years. Most Indian companies introduced voluntary retirement schemes (VRS) at some time or another, but largely aimed them at the hard-to-sack labour force. What's new now is that a fresh wave of voluntary retirement schemes is hitting India's corporate shores — and the schemes are not confined to labour either. Many corporations are dangling them before well-paid managers too.

Soft option. In the new economic environment where public sector efficiency is the new buzzword, even state-owned corporations are looking at VRS as a softer option for knifing bloated employee rolls and cutting costs. State Trading Corp (STC) chief general manager Padmanabhan agrees: "VRS is the soft option to say goodbye to people."

And foreign banks have not been exactly averse to VRS either. Bank of America had a one-off scheme nearly four years ago. HongkongBank officials declined to comment, but the bank apparently introduced a VRS in 1990 largely at the behest of its staff. This was open to all those between 35 and 40 years of age with at least 15 years' service with the bank. It envisaged payment of 85-90% of the employees' salary expected until his retirement, spread over a period of 10 years to nullify the tax effects.

Several reasons are proffered for the booming golden handshake business: technological upgradation that renders labour surplus, corporations losing their dominant, monopoly status in the market, or plain and simple hard times. Indeed, the dominant reason is always hard times. Companies going through a rough patch resort to selective voluntary retirements to prune excess staff and whittle down long-term wage bills.

Examples abound. Take the case of the recession-hit automobile maker Premier Automobiles Ltd (PAL). Nearly 2,200 workers have opted for its VRS. In the second phase of the scheme, PAL expects another 1,000 workers to quit, bringing down its labour force to 6,000. In the process,

VOLUNTARY RETIREMENT SCHEME

the company will save almost Rs 10 crore on an annual wage bill of Rs 80 crore — a whopping 12% of annual income.

Philips India also introduced a VRS in 1989, when the company fell upon hard times. Till now, 594 management staff and 234 other staff have opted for the scheme and the wage bill has come down by 12.5%. Philips senior general manager (corporate HRD) N. Jagannathan explains: "Over a period of time, due to technological changes and pruning of some business lines, there was surplus manpower. Also, at that time the company was not in a very good shape, financially. So, one of the measures we took was to introduce a VRS."

The story is repeated at ICI. The chemical giant introduced the golden handshake in 1975 when its Rishra polythylene plant (since sold) was on the verge of closing down and losses were piling up. The scheme was re-introduced in 1984 when the company was once again going through a bad patch. ICI general manager (establishments) Sukhbir Dhupia says: "In a company as technology-intensive as ours, labour costs were high at 12% of turnover. What VRS has effectively done is neutralise the effect of inflation on the company."

Most public sector undertakings, too, buy this logic, especially sick companies like the National Textile Corp (NTC) and the Fertiliser Corp of India. In fact, NTC has been trying to "rationalise" its 1.6 lakh-strong workforce over the last few years. The regrouping exercise envisages closing four subsidiaries involving a total of 29 mills. The price tag: Rs 459 crore.

The public sector tuned in to the VRS in the late eighties when Coal India identified nearly 1.78 lakh workers as surplus. Consequently, in 1988, the Bureau of Public Enterprises (BPE) offered a standard VRS model for all public sector companies. The Minerals & Metals Trading Corp of India (MMTC) took the lead and has since offered the scheme to nearly 282 employees (202 officers and 80 staff members). MMTC director (personnel and export trade) B.B.L. Madhukar says: "The VRS has already helped reduce the company's wage bill by nearly Rs 2 crore. We are expecting another 200 people to leave by next year."

Certainly, MMTC's offer was prompted by decanalisation. Nearly three months ago, the government decanalised the import of wares such as non-ferrous metals, leading to a notional loss of more than Rs 2,200 crore in the company's turnover. Adds Madhukar: "Once we find that the cost of our manpower has gone down due to VRS, we can be competitive with our prices as well."

Unquestionably, companies save on more than just wage bills. Overheads like house rent, medical allowance, leave travel allowance, office space, electricity and phone bills are cut too. Reason: posts which are vacated are abolished. So much so that one of the immediate fallouts at STC was the closure of one of its New Delhi branches and one of the two offices in Calcutta. STC is now toying with the idea of renting out a portion of its multi-storeyed office in the capital.



VOLUNTARY RETIREMENT SCHEME: BEEFING UP THE BOTTOMLINE

Company	No of schemes	Time period (months)	Total costs (Rs crore)	Wage bill cut (%)
STC	590	24	9	25
TVS-Suzuki	445	6*	1-1.5	20
Philips	828	36	7.7	12.5
MMTC	282	24	1.9	5
Sail	17,000	72	150	NA

*Note: VRS was open for supervisors from Jan 1991 for five months and twice for workmen from 1 April to 1 May 1991 and 15 Jan 1992 to 15 Feb 1992
Source: BW compilation

Cutting costs apart, corporations cite other reasons for going the golden handshake route. Officials at Blue Star and Sail say that this is a logical fallout of technology upgradation. When modern machines are installed in factories, fewer men are needed to run them. Astonishingly, the steel giant has weeded out nearly 17,000 employees through VRS over the last four years. Says Pande: "We need to reduce numbers further. In fact, we will continue the scheme as long as the response is good."

When viewed from the other side of the fence, a VRS can prove tempting. An STC general manager with nine years' service left and a basic salary of about Rs 8,000 got nearly Rs 5 lakh in severance pay alone — tax exempt. Says Padmanabhan: "If he had stuck on, he would have got the same amount over nine years and 60% of that too would be eaten by inflation."

The VRS really gained ground in public sector undertakings after October 1991, when the government exempted the compensation package from taxes. At STC, for instance, only 30 people opted for the scheme before tax exemption came into force; the number jumped to 560 after October 1991. The story was repeated at MMTC and Sail.

Strikingly, this budget has also permitted, in principle, private sector companies to avail of this exemption, though few have brandished it as yet.

Recognising the obvious advantages, some companies are coaxing employees to accept VRS with attractive add-ons. For instance, TVS-Suzuki allowed some of its managers to retain company telephones; it also hired some as consultants to the company. Says TVS-Suzuki general manager (personnel) T.S. Rajamani: "When the axe falls, the experience can be quite traumatic. So, we try to make the offer as humane as possible."

For all the advantages of the golden handshake, corporations lose too. Quite simply, a lot of good people leave. Says MMTC's Madhukar: "Maybe 10% of the 282 staff members who left MMTC would have been an asset. But, then, in this kind of exercise, it is very difficult to be choosy."

Second, staff morale tends to hit a low. In the initial stages, employees who stay behind are stunned by the exodus. Suddenly, one fine day, the people you interacted with are not there. Admits Padmanabhan: "For the

Look at all the eggs



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of the VH Group

in our basket



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- National Productivity Council's Awards – four years in succession – awarded by the Ministry of Agriculture, for the best productivity in poultry... in 1987, 1988, 1989 and 1990.
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- APEDA Export Award in 1991, for R & D, presented by the Export Development Authority.

Our Founder, Padmashri B.V. Rao, has himself earned an array of laurels. Man of the Decade Award from the Maharashtra Poultry Farmers Association; Entrepreneur of the Year Award from the Hyderabad Management Association; National Citizen's Award 1988, for Rural Development, presented by the Prime Minister of India; Indira Gandhi National Unity Award 1989, by the All India National Unity Conference; Padmashri in 1990.

This endorsement of our Quality, by our peers, customers and the Government, shall forever act as a guiding light in our endeavours to achieve excellence. We are indeed proud of such recognition.

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first six months, it is a period of re-adjustment within the company."

The moot question then is: is voluntary retirement really necessary? Yes, say company managements, qualifying the affirmation. As Arvind Pande puts it: "The VRS is good for an individual industry. But, it can only succeed if enough job opportunities are created in the market for displaced labour."

That's an argument that even the unions advance. Says S.N. Rao, a spokesperson of the All India Trade Union Congress (AITUC): "We are not opposed to change or industrial restructuring. But whatever you do must be for employment generation and poverty alleviation. This is not happening with VRS." Agrees Kiran Mehta, president of the Philips Employees Union: "They talk of cutting manpower in order to restructure and revive companies. The fact is that staff expense is only a very small part of a company's total expense. If they are really serious they should curb all other wasteful expenditure. Cutting staff should be the last resort."

But what is often forgotten in such verbal duels is that VRS is the last resort for a lot of companies. Blue Star general manager (personnel) S.K. Mahajan says: "An organisation opts for VRS only when the situation becomes inevitable. Cutting manpower is always very difficult to handle." This was certainly true in STC's case. When certain items were decanalised and the company lost nearly 50% of its existing business, it had two options other than VRS: diversify and redeploy the surplus labour or retrench mercilessly. But diversification called for time and resources and retrenchment was out of the question. So a golden handshake was the obvious solution.

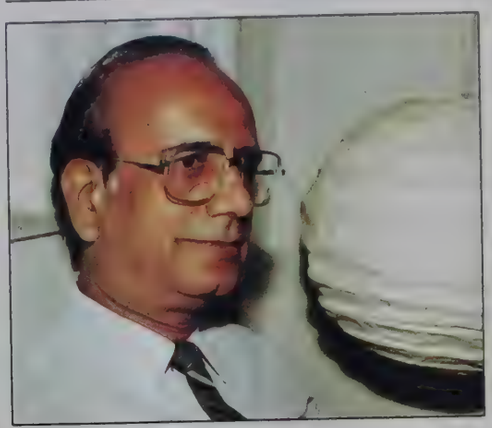
Whatever the arguments, one thing is clear: an overloaded bus can seldom pick up speed. Managements are realising this. And while Indian companies may still lag behind their western counterparts in terms of packages, the golden handshake is rapidly becoming a gilt-edged way to say goodbye.

□ Mahasweta Ghosh Roy

(With inputs from Meenu Shekar and D.N. Mukerjea.)

RETIREMENT BOUNTY

Executives find there's life after VRS.

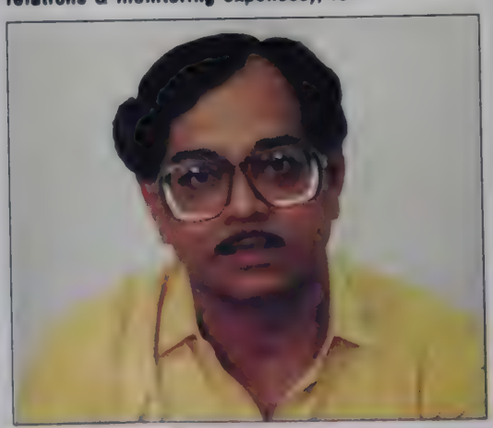


Yogesh Mathur, former general manager (sales), Philips.

Has bought a house, played in the stockmarket and set up a consultancy business with his compensation money from Philips

Opted for a VRS at ICI and got Rs 10 lakh. He now runs his own dish antennae and cable TV operation

Sanjay Dutta, former section head (industrial relations & monitoring expenses), ICI.



For Sanjay Dutta, it was a case of the mid-40 blues. As the section head of industrial relations and monitoring expenses at ICI's estate division in Calcutta, he had reached his peak in the company. At 49, it was now time for him to move on.

Growing increasingly bored with the lack of challenges in a regular job, Dutta wanted to do something on his own. And ICI's golden handshake scheme managed to mesh in perfectly with his plans. His booty: Rs 10 lakh, staggered over 10 years. Says Dutta: "VRS (voluntary retirement scheme) is a good scheme because it helps a person to start out on his own."

Today, Dutta runs his own dish antennae and cable TV operation, has a registered housing construction firm, sells sanitaryware and tiles and is an enlisted contractor in electrical articles for the Central Public Works Department (CPWD) and Britannia Industries. "Once everything is fully operational, I expect to earn Rs 15,000-20,000 per month after taxes," he says confidently.

Dutta is not alone. As VRS gains grounds in companies across the country, a host of employees — managers and lower-level staff — are discovering that "exit" is not such a dreaded word after all. Says former State Trading Corp (STC) general manager Pradeep Rao: "There's definitely life after exit — in fact, a much better one."

Rao, certainly, is speaking from experience. One of the six general managers who opted for STC's VRS in April this year, Rao is happily living off his VRS money — a cool Rs 5 lakh. He now spends his time reading, playing tennis and "advising friends on how to run their businesses."

Mutually beneficial. In most cases, the golden handshake benefits both the company and the executive. The company is saved the recurring headache of shelling out regular sums every month as salaries. The executive is only too happy to take his

VOLUNTARY RETIREMENT SCHEME

lumpsum instead of being sidelined. For a minuscule number, they have even taken the form of golden parachutes with companies forking out impressive sums.

Yogesh Mathur is a case in point. Mathur, who was general manager (sales) at Philips, opted for a VRS two years back, when he was 48 and had already put in 23 years with the company. With his compensation money (he declined to quote the figure), he has bought a house, played in the stockmarket and set up a consultancy business. "I feel it is a very good scheme and I have no regrets about having opted for it," says Mathur.

In fact, few of those opting for the VRS spend their time at home. Most either set up their own business or pick up another job. Swaminathan Sethuraman, former manager, operations (all India), of information systems and automation, at Philips, for instance, opted for voluntary retirement in October 1989 at the age of 49. Today, he's enjoying the challenges of his job as senior manager (MIS-EDP) at Videocon. "Age-wise I found that it was the opportune time for me to make a change. Also, given the market potential for alternative employment in my field, I was confident of getting another job. So I had nothing to lose but a lot to gain from VRS" he says.

So what is the ideal age for voluntary retirement? When should an employee opt to move out and explore other options? At 52, most HRD experts say. Assuming that an executive, with 30 years of completed service and only six years left for retirement, draws a basic salary of about Rs 3,500, he can easily collect a neat Rs 2 lakh just from compensation, if he goes in for a VRS. After allowances, the total sum could range from anything between Rs 3 lakh and Rs 5 lakh — and that too, totally tax-exempt if working for a public sector firm! "Financially, unless you are living in a company flat, opting for a VRS after 50 is a great advantage," agrees Asha Bharadwaj, a former Minerals & Metals Trading Corp (MMTC) general manager who retired voluntarily at the age of 56.

Bharadwaj was, in fact, luckier than others. Her packet: nearly Rs 7 lakh. This was not all. After two-and-a-half years, she will even get a regular pension from the company. "The only thing one loses at the time of retirement is the status," she says a trifle wistfully.

Status is one thing most high-flyers ensure when they opt for the golden handshake. The logic is simple: most of them opt for a VRS because their market price is high, and not because their services are not required by an organisation. "Most of the people would have quit anyway. The leaving had nothing to do with the carrot of VRS," says Rao.

He is right. Former STC general manager Kurien Joseph decided to leave after BBIL (the holding company for STC and MMTC formed during the V.P. Singh regime in New Delhi) was closed down unceremoniously and his future in the company seemed bleak. The VRS was only an excuse. "When I quit I had 16 years of service still to go and no job. But I didn't care. That was my confidence level. I only took time (to leave) because I wanted to get into something equivalent in terms of status and responsibilities," says Joseph.

His perseverance has paid off. Today, as vice-president and head of the consumer products division at the Delhi-based Mohan Exports, Joseph is not only on the fast track, but is earning three times his previous salary.

Clearly, then, most people who opt for a VRS know exactly what they are going to do after retirement. And even if they don't, there is always the steady security of regular returns on their investments. Says M.N. Bagchi, who opted for a VRS recently after years at a premier public sector organisation: "I took VRS when I had 13 months to go. What I am going to do, I have no idea. But I have no financial worries either."

But with most people choosing to go on to fresh ventures after VRS, perhaps the golden handshake will soon be known by another acronym. For, at present it may be voluntary and it might be a scheme, but it's certainly not retirement.

□ Mahasweta Ghosh Roy

(With reports from Meenu Shekar and D.N. Mukerjea.)

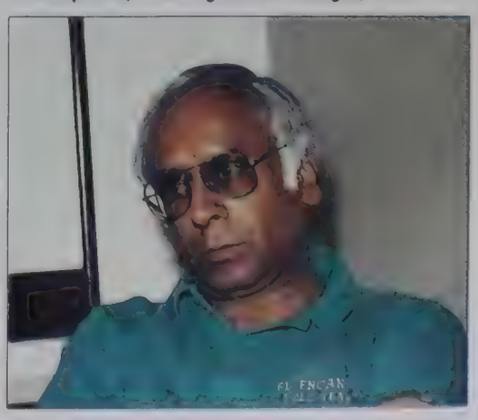


Asha Bharadwaj, former general manager, MMTC.

Received Rs 7 lakh from MMTC. She'll also get a regular pension from the company after two-and-a-half years

Received Rs 5 lakh from State Trading Corp. He now spends his time reading, playing tennis and "advising friends on how to run their businesses"

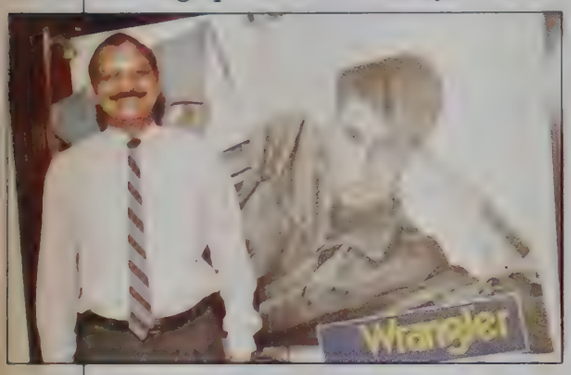
Pradeep Rao, former general manager, STC.



THE BLUE BOOM

Manufacturers are trying to cash in on the jeans craze.

Levi Strauss would have surely approved. The American immigrant who pioneered the jeans concept towards the end of the previous century would have rubbed his hands in glee seeing the action his creation is kicking up in India these days. Almost every garment maker worth his fabric is stitching together a foray into jeans. The result: a battery of brands is jostling for space in retail stores.



SALDANHA: *Designer labels are in vogue*

Take a look at some of the names in business: Flying Machine, Avis, North Star, Wrangler, Pepe, Proline, Lion, Rhombus and Killer. Figuring among the labels that made their entries in the past year or so are Moody Blues, Smash and Bare Necessities. As if this were not enough, reports are that some more should be making their debut. The brandnames being talked about are top-drawer: Levi Strauss and Lee Spencer. Says Bata India general manager (apparel & non-footwear) B. P. Samaddar: "The Indian jeans market is witnessing a boom."

And the figures definitely shore this up. Arvind Mills president (garments) G. M. Mirchandani tosses up some numbers. "In 1987 the market for Indian-made jeans was 1 lakh pairs per month, today it is 12 lakh. Of this the branded segment comprises 2.25-2.5 lakh pairs a month." Adds Cornerstone Brands marketing manager G.S. Shrikhande: "The market has been growing at a steady 25% in volume terms over the past three years." Both of them should know, for while Mirchandani is directly responsible for Flying Machine jeans, Shrikhande is a distributor of Arvind denim fabric.

What has sparked off the jeans boom? Wrangler franchisee Dupont Sportswear vice-president (marketing & sales) C.A. Saldanha thinks it has to do with changing consumer habits. He explains: "Earlier, the Indian consumer did not like to be ostentatious; today he likes to be seen wearing a designer label. And he doesn't mind spending."

Secondly, the population of 15-35 year-olds — the major customers — is also growing, pushing up demand. And this segment is getting increasingly exposed to the western jeans culture what with the advent of MTV in a big way here. Then, these days, consumers are not shying away from ready-mades as they did in the past. This is evidenced by the success that several trouser and shirt brands have chalked up. Finally, to boot, international quality denim fabric is available on tap through the Ahmedabad-based Arvind Mills. This was not the case before 1987 when the denim quality was pretty poor. Hence, most of the jeans were imported, legally or illegally. The ones that were produced locally were quite shoddy thanks to the poor cloth and didn't really appeal to the youth — a factor that stunted demand. Says Pantaloon Fashions managing director Kishore Biyani: "With Arvind's high-quality denim available, several people contemplated manufacturing jeans because the youth would get international standards and hence wouldn't be averse to buying Indian brands. This really helped open up the market."

And opened up it has. Every manufacturer is slugging it out for a larger piece of the Rs 200 crore market. And they are using every ploy to get the 15-35 year-old to slip into jeans. While some are positioning their wares at the premium end, others are setting their sights much lower.



The action is, however, taking place at the premium end with a glut of advertising. Most brands are taking the lifestyle tack, exploiting youngsters' love for adventure, fun and romance. Some are taking an anti-establishment stance by using evocative visuals and saucy copy in ads. KMC Garments, the maker of the Moody Blues brand, is one such case. Says KMC director Sandeep Samtani: "Those who wear denims send a message of being rebellious, carefree and aggressive. All successful denim brands use the message of sex to sell."

But others prefer to go in for a clean

image. Smash jeans from Apeego, for instance. It has chosen the celebrity route placing tabla maestro Zakir Hussain in its ads. The pitch is obviously being made at the clean cut 25-plus types.

The internationals — Benetton and Pepe — on the other hand are duplicating campaigns of their foreign counterparts. Dalton Fashions managing director Surendra Dalmia, who turns out the Benetton label in India, feels that this strategy is correct as the brand is positioned as truly international. Pepe Clothing director Chetan Shah holds the same belief: "The high fashion European image is what the target group buys our product for. If we Indianise it, it would lead to us unnecessarily competing with local brands too."

To stay a cut apart from the rest, manufacturers are focusing sharply on the product, offering customers a good range that includes the five-pocket classics, baggies, parallels and stretch. And there are style variations too — pockets on the knee, thigh, with other frills — to meet the needs for every fashion-driven teenybopper. Says Samtani: "The young customer is very fickle. His taste for jeans changes very fast. If manufacturers don't change fast they're finished." For most of them, therefore, an in-house design team has become *de rigueur*. Pepe for instance changes its range once every six months while Moody Blues introduces four new ones every year.



SHAH: *Opting for an international image*

Dupont constantly leafs through its American parent Wrangler's master style catalogue and then introduces some of the designs in the domestic market. It also has a rotating consumer panel to keep tabs on the market-pulse.

For all this hard work, all that manufacturers end up pocketing is a 10% margin. The retailers' take in a much-heftier 30-40%. It's no surprise therefore that at least some manufacturers are talking of setting up exclusive outlets. Dupont Sportswear, for instance. Says Saldanha: "Exclusive outlets build an aura around the brand. Besides, garments is a very personalised business and this can be improved with direct control."

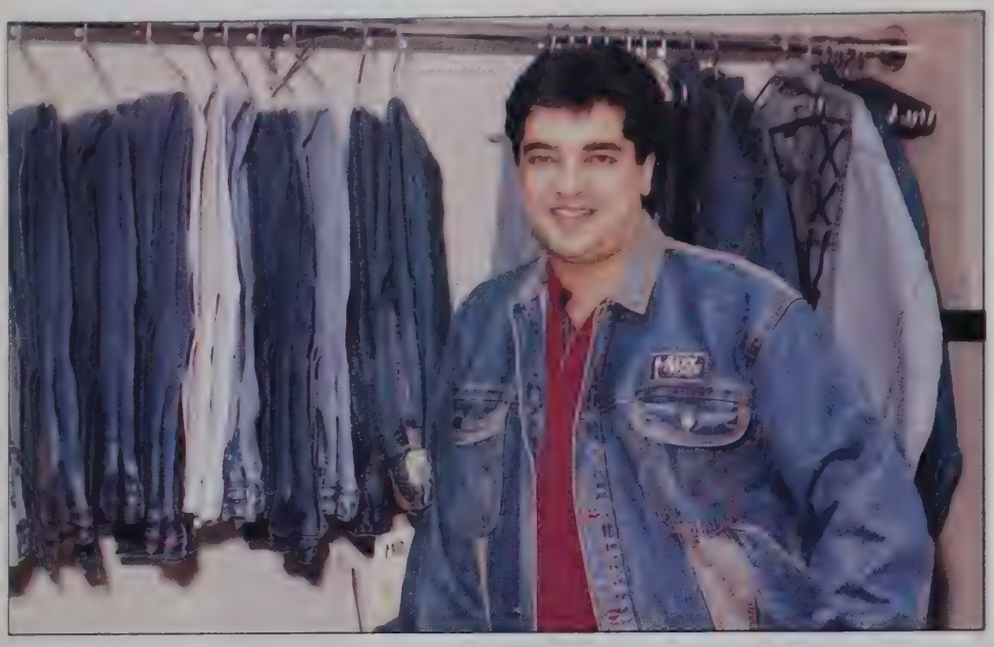
Exclusive outlets. Some manufacturers are already doing that — though indirectly. Bata and Stencil Apparel (which sells Rhombus jeans through its Benchmark retail store chain) are two examples. The former stocks its North Star Mike Murjani jeans with 80-100 stores of its 1,400 shoe retail chain. Besides, the denims are also available in 36 "sports-cum-lifestyle" outlets alongside brands such as Adidas and Power. "Bata already had the basic infrastructure and they made good use of the 'store within a store concept'. It was a wise marketing strategy," says Mirchandani.

As a result of its widely spread-out outlets, Bata's North Star is one of the very few brands strong nationally. Others in the league are Flying Machine, Pepe and Wrangler. Most other brands are, however, restricted to certain regional markets. Numero Uno, Avis and Moustache are strong in the north and east. Bombay-based brands like Proline and Moody Blues are strong in the west and the south.

With competition hotting up, maintaining even regional strengths may become difficult. Many manufacturers are initiating measures to bolster their



REPORTS



SAMTANI: *An anti-establishment stance*

brands. Says KMC Garments' Samtani: "Selling jeans is no different from selling soap. Every brand has the same raw material; the only real difference is in the label."

It is necessary, therefore, for manufacturers to conjure up novel promotional gimmicks to keep their brands visible. During the launch of Bare Necessities, Biyani sent out letters to 400 Bombay celebrities, asking them their preference in colour and size. Those who replied were promptly sent pairs of the jeans according to their specifications. The exercise cost Biyani a pretty packet, but, as Dupont Sportswear's Saldhana points out: "It is important to invest in brand equity. If you want your brand to go places, you must be willing to spend some money."



SHRIKHANDE *Waiting for the real boom*

Unexplored territories. It's about time the large players in the jeans market started looking for business opportunities outside the metros. A-class cities like Surat, Madurai, Coimbatore, Baroda and Ludhiana are still largely unexplored; B-class cities (with a population of more than one lakh) are virtually virgin territory. But although the number of potential jeans buyers in these areas is enormous, this isn't a market for the high-priced, premium brands.

If they want to make a big dent in these areas, the big-brand manufacturers will have to add a line of cheap jeans to their product portfolios. Lower margins usually mean higher volumes, as brands like Lion, Killer and Sunnex have proved. Lion deserves special attention; the Gandhinagar-based company sells as many as 30,000 pairs of jeans a month. Its primary USP is price — the manufacturer's margin rarely exceeds Rs 10-12.

Some of the larger companies are already beginning to emulate Lion's example. Dupont Sportswear plans to launch another brand using a cheaper variety of fabric. Cornerstone Brands, has recently started organising "Denim Melas" in smaller towns in order to increase awareness; the initial response has been more than encouraging. In the first mela held in Sangli, sales figures at the three-day event exceeded those of four years. Says marketing manager Shrikhande: "We'll have to take the market to the masses to see the *real* boom take place."

□ Nonita Kalra

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A NEW LICK

Vadilal goes in for a revamp.

In the ice cream business, most marketers live by one rule: lick or get licked. And western region ice cream big boy, Vadilal Enterprises (1991-92 turnover: Rs 40 crore; national marketshare: 24% vs Kwality's 45%), is taking steps to ensure that it doesn't end up on thin ice. Over the past year-and-a-half, Vadilal executives have been mixing together a new marketing strategy which is now being translated into action. It basically involves scooping out a Rs 2.5 crore investment over three years to launch glitzy new parlours (called Happinezz), products and thaw out an entirely new snazzy image for Vadilal.

Says Vadilal managing director Sailesh Gandhi: "Research has shown us that it's time for the company to change its image."

Indeed it is. Ever since Vadilal sashayed into Gujarat in 1973 and Bombay in 1982 the company had positioned itself as a provider of wholesome and nutritious ice cream. Kwality and Joy, the then supremos, offered staid traditional stuff like vanilla and strawberry ice cream; Vadilal's innovative and yummy fruit and nut-based varieties had ice cream buffs screaming for more. The result: the company carved out a decent marketshare for itself and emerged as a player which mattered. Says Vadilal marketing manager Atul Sinha: "Our advertising was product-based and, like Kwality, it was designed for universal appeal."

So far, so good. But came the end-eighties and Vadilal found itself at the receiving end of an onslaught from a flood of new entrants, all armed with flashy marketing ideas and jazzy products. Says Sinha: "Frankly speaking, ever since Yankee Doodle, Dollops and Milkfood made their entries in 1989-90, our image took a beating. We were perceived as old-fashioned and staid, and though our sales didn't drop, if we were not to act immediately they may well have in future."

A radical change. A lot of market research later, the company arrived at two conclusions: one, that ice cream was not a serious product — it fell into the "fun, flippant and impulse" category — and two, there was a trend towards ambience selling (read: attractive ice cream parlours). Nothing earth-shaking about these two discoveries except that it would have meant a radical change for Vadilal. Serious and traditional values such as wholesomeness that characterised its ice cream would have to be dustbinned. At the same time, however, care would have to be taken that the company's mass and non-exclusive appeal wouldn't get diluted.







GANDHI (ABOVE) & SINHA: *Snazzy look*

The Vadilal marketers finally decided that a way out would be to give the company a new image that revolved around emotions like cheerfulness, warmth and happiness. And it went in for an entire redesign exercise. The pink and white on the ice cream cups, packs, neon signs, ice boxes etc gave way to "warmer colours like orange, royal blue, pink etc." All retail outlets which stocked its ice cream kowtowed to the new design.

Its response to the better-ambience dilemma was quite expected: it decided to roll ahead with its own parlour chain *a la* Yankee Doodle and Dollops and called it Happinezz (Kwality also joined the gang recently by kicking off the first of its Bonker Zone parlours — see In the News p.64). Says Sinha: "Our parlours respond to the need for a clean, comfy place where people can have fun."

Today the company has three of them — two in Bombay and one in Ahmedabad — which have been franchised out. Each parlour has standardised decor and is dabbed with the warm colours that have become so essential to the company's image.

Next on the anvil is a plan to add another four parlours in Bombay, apart from taking them to Pune, Bangalore, Baroda and Hyderabad. Vadilal also plans to tinker around with the 120 smaller ones it has in Bombay. The badly-located parlours are to be downgraded to just "points" while the rest will be spruced up. Says Sinha: "At present about 25% of our total sales comes from parlours, but I see this going up to 35-50%." To ensure that happens, he's lining up unique promotions at all of Vadilal's parlours. Among them: mime shows, children's theatre and "sudden announcements like all children with missing teeth will get a free ice cream."

And there's quite a mouthwatering array available with Vadilal. Apart from the usual creamy fare there's the ice *mithai* (Indian *mithai*-based ice cream) which the company unpacked last year. Sinha claims the range is doing very well and a fourth variant *gajjar halwa* was launched in April (the other three being *rasogulla*, *gulab jamun* and *raj bog* ice mithai.) Then, in end-May the company dug out another brand new ice cream concept from its ice box. Called the Sorbet, it is a fruit pulp-based concoction, which has been developed entirely in-house, and comes in three flavours for now, mango, orange and strawberry. Served chilled, it is cheaper than an ice cream — Rs 4.25 for a cup versus the Rs 6.50 for a cup of ice cream.

While the company's management is quite kicked up about the new-look Vadilal, the competition doesn't think it's too hot. Says Kwality Frozen Foods managing director Ravi Ghai: "It hardly represents a threat and it will definitely not steal marketshare from us."

Let the marketplace decide.

□ Carina Vincent

A MEGA SHAKEUP

Sudhir Lal's wings have been clipped.

All's not well at the Delhi-based Megacorp Advertising. On 18 February this year, five executives (from director — client servicing downwards) were asked to vamoose. Subsequently, two more were given marching orders. Immediately after, Indana International vice-president Sanjay Ganguli was brought in as director to be hands-on-in-charge of the commercial and financial aspects of the business. From then on, the once-omnipotent managing director, Sudhir Lal, was left with just advertising — something which he has been doing for more than 25 years.

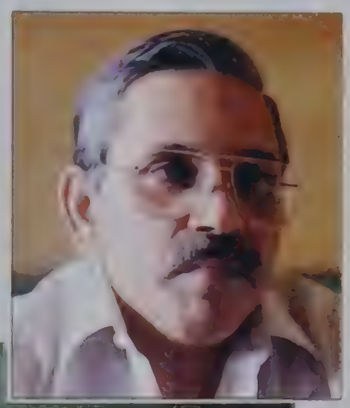
What went wrong? And that too just three years after Megacorp was promoted with great fanfare by the Indana group. Why did Sudhir Lal — once the blue-eyed boy of group chief H.S. Jalan — suddenly fall out of favour? In Lal's own words: "It is like marriage. When the honeymoon is over, the relationship sours."

An argument that the promoters find hard to buy. According to them, Lal simply couldn't deliver the goods. Ganguli offers a diplomatic explanation: "Sudhir is a good advertising man but he is a bad business manager. It is a mistake on our part to expect him to do what he is not interested in doing."

The figures tell their own story. Megacorp was started with the objective of becoming a national agency. But, it managed to open just one branch in Bombay which was never beefed up. In March 1992, the agency's outstandings (billings) in the market stood at more than Rs 1 crore and payment defaults to creditors were at the same level.

Slow growth. There is more. Gross billings for the year 1990-91 were just Rs 4.36 crore against Rs 2.18 crore in 1988 and not a single client presentation had been made in the past eight months. Hits out Ganguli: "In August last year, we detected the low-growth pattern. There was no excitement left in Megacorp. It was then that defaults in payments to its creditors started. So, it was essential to nip it in the bud."

Lal, however, calls it a cash flow problem. Megacorp had two cash cows — Liberty Footwear and Cold Cafe. It lost the Liberty account when two of the executives who were sacked set up a separate agency called Montage with backing from Liberty. Accuses Indana group director and Jalan's son-in-law Rakesh Vashist: "They were using Megacorp to do business with a particular client. No effort was made to get new accounts."





LAL (INSET) & VASHIST: *Soured relationship?*

Financial management may be the immediate cause of the problem but industry observers reveal that trouble started brewing when Lal first fell out of tune with Vashist sometime last year. Vashist is quick to deny this charge: "It was just a dissidence. There are no problems in the relationship. The faith and trust in Sudhir Lal is still very much there."

Only, he has been put in his place. All the seven executives who were asked to put in their papers had been inducted by Lal and were reportedly close to him. "A lot of people thought Sudhir Lal owned Megacorp. That's not true. A lot of people were perpetuating that myth, which was wrong," says Ganguli.

Today, Ganguli is not only actively involved in clearing the financial mess, but he is also on a hiring spree — senior account executives, account supervisors, branch managers and what have you. So much so that he has even worked out a detailed organisational chart of which Lal, perhaps, has no clue. "I am involved in all recruitment from senior account executive upward," he says.

Not only that. He is even helping Lal to get new clients through his extensive friends' circle (Ganguli was with ITC for 12 years and left as general manager, marketing). "I am giving Sudhir the contacts. It is for him to cash in on them. Otherwise, we will have to review the situation once again," he says.

Around March, the agency opened a new branch in Calcutta with Krishna Foods and IDL Explosives as its clients. In Delhi and Bombay, too, it is trying to lasso in new accounts. So much so that in the past two months, the agency has held nearly 29 presentations all over the country. By next year, if all goes well, a third branch is slated to open in Bangalore. The projected gross billing for 1992-93: Rs 10 crore.

Obviously, Ganguli has come down heavily on Lal and his team. In his own words, the brief is a simple one: perform or perish. Understandably, at the age of 54, Lal is tense about his future. While admitting that things are not exactly hunky-dory, he skilfully camouflages the lines of worry. "Yes, I am still the managing director and I am happy that Ganguli is handling the commercial side," he says.

A forced submission, perhaps. But, anyone who knew him in his heyday can easily see that the man has mellowed. Today, he is only performing his duty. Tomorrow is just another day, for Lal as well as for Megacorp.

□ Mahasweta Ghosh Roy



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Selling shoes — be they formal, casual or sports — has always been a dicey business. One day you could be striding purposefully in the market; only to be booted out on the morrow. A few brands have, however, survived the hard kicks of competition in the marketplace. And Bata and Carona surely rank tops among these.

In January 1990, Carona inked an agreement with German shoe giant Puma to introduce its range of hi-tech speciality sports shoes in the Indian market. The strong brand franchise despite, the going has not been too good for the Puma range. Meenu Shekar of Business-World *spoke to Carona (Puma division) vice-president S. Ramachandran on what exactly went wrong.*





■ On Puma's main target group.

Though these are basically sports shoes, in India and also the world over, 80% of people like to wear them for casual everyday use. They are considered to be fashionable and trendy. Our target group is the big city/town people in the age group 16-35 who like to keep up with the times and changing fashions; they're those with a monthly family income of more than Rs 3,500.

■ On the marketing strategy.

We are basically selling a lifestyle — for the young, healthy, energetic, fashionable, trendy etc. Well-known sports personalities like Prakash Padukone and Vijay Amritraj endorse our products, and we also sponsor important sports events in order to establish our image. Our main advantage is our international-level quality and the heavy research and technology that is put in by Puma of Germany.

We have 350 of our own (that is Carona) retail shops and we sell Puma in around 200 of them. These alone contribute to 50% of our turnover. As for our trade channel, we have been very selective and have only one distributor in each town. This is because our price range and image make it pointless for us to select very small shops catering to low-income groups.

■ On the ad budget.

Our annual ad budget has been Rs 1 crore for the past two years. This is rather on the high side considering our turnover. But we feel that it is imperative for us to establish ourselves as the market leader.

■ On the product range.

At present, we have Dominator which is mainly for jogging and walking (Rs 500); Control for indoor sports (Rs 550); a special tennis shoe called Super Cup (Rs 800) and Rider for basketball (Rs 895). We also have the DIP (direct injection process) shoes (Rs 550) which have PVC soles generally not used in sports shoes. But since these last for a long time they are also quite popular.

■ On sales figures.

In our first year (1990-91), we sold 1.20 lakh pairs and the following year (1991-92) the figure was 1.50 lakh. In terms of money, this translates into Rs 5.50 crore and Rs 8 crore respectively.

■ On why sales of the Puma range have not picked up substantially.

We have found that our high price range (Rs 550-900) is a major deterrent. Also, at present we have introduced only four different models — this limits the customers' choice. Another contributing factor could be that during our launch we were very finicky about our distributors and so did not spread out very much.

■ On the future strategy to boost sales.

In order to increase our sales in terms of volume we have to come down in price. We will soon be introducing a new range costing around Rs 450, which we expect will sell more than 1 lakh pairs next year. Simultaneously, we will also be introducing, for the first time in India, 'trinomic' shoes with special shock-absorbing capacity and costing Rs 1,500. Our strategy will be to establish our image as a high-priced exclusive product maker and then capitalise on this image by offering low-priced models which will boost our sales in terms of volumes.

We also propose to increase our product range and will be introducing 16-17 new models (including the Sheffield cricket shoes which have been used and selected by Azharuddin) in three or four different colours in the near future. Apart from this we will also be expanding our distribution network.

Another new thrust area will be shoes for children aged 6-13 years. We were hesitant about this initially because we felt that people would not be willing to spend so much on footwear for kids. But we discovered that people like to make a comment about their socio-economic status through their children. We will be having a separate promotion campaign for this range.

Through all these efforts we hope to increase our sales figures to 10-12 lakh pairs within the next 2-3 years.

PROBLEMS & PROSPECTS

By CHIRANJIT BANERJEE



Indian direct marketers will have to wait for the touch of quality in local products before they can go all-out on DM

The author is a member of the Direct Marketing Association, New York.

To be precise, 95,04,013 North American adults bought trees, seeds and plants over the phone in 1991 and during the same period 17,82,256 kids ordered dolls by mail.

Source: Simmons Market Research Bureau.

Surprised by the accuracy of the information? But it's true. US direct marketers are privy to such devastating data in their relentless pursuit of building customer relationships. The above data can easily lend itself to sorting on a myriad basis including age group, marital status, family size, household income, reading habits, and what have you.

Compare this with the scene in India where so-called database vendors are struggling to generate even "hit and miss" mailing lists with a return-to-sender quotient of 20% or more. They can afford to be so lax because traditional Indian marketers are yet to appreciate the value of an updated database. You might say that even if they did, the sheer lack of automated databanks would frustrate them.

Ogilvy & Mather (O&M) Direct posted international billings of $501 million in 1990 as compared to a below-million dollar turnover of their Indian arm. And to think that O&M has been the pioneer of direct marketing (DM) in this country too! Depending on the way you look at numbers, DM is either an idea "much to soon" or a goldmine of the future. Being one of the few solo practitioners of this discipline, I can't but subscribe to the more optimistic view. And I have reasons to be hopeful.

Of course, the fundamental hope is that Manmohanomics will work. If it does, we are likely to see a lot more action in the Indian consumer marketplace. Among the existing *Fortune* 500 companies, Procter & Gamble (P&G), Johnson & Johnson (J&J) and Colgate are those which are expected to raise not only their equity stakes but also inject greater marketing savvy in their Indian arms.

All these corporate legends are among the staunchest believers of DM and figure among the top 50 patrons of this discipline worldwide. In a survey conducted by the Direct Marketing Group late last year, most marketers in these companies felt that there is a 61% chance of their DM spending going up this year.

The Indian ad industry closed 1991-92 with an aggregate billing of around $667 million. DM, according to best possible estimates, has not chipped in with more than $7 million which is not even 1% of the big total. On the other hand, the likes of P&G, J&J and Colgate spent upwards of 18% of their ad budgets on DM in 1990-91.

DM inherently enjoys a qualitative edge over mainstream advertising, especially in the Indian context where consumers have not been exposed to the awesome power of TV home shopping or toll-free telephonic orders. General advertising seeks to communicate; DM seeks to build relationships with a carefully chosen customer profile. Indian products are rarely of lasting value unlike relationships which consolidate over time. This probably explains the apparent lack of urgency among advertisers about DM.

Relationships are built on values, not on undelivered promises. A satisfied customer in the financial services industry costs a seventh of acquiring a new one. But to keep him satisfied, you have to communicate frequently. Most Indian manufacturers dread doing this because they never know how soon their warts will show up.

I ordered a cherry bean bag which was merchandised on one of my credit cards earlier this year. The delivery took twice as long as promised. Then, I had to fetch the consignment from a transporter's godown in Calcutta. While unwrapping the package, I realised that the vendor had got the colour wrong and as I got to the bag, my house was struck by a "beanstorm" thanks to two gaping holes.

This was pathetic. First, I had paid for the purchase upfront. Then, I returned it to the sender at my expense; to-date there have been no signs of reimbursement. Meanwhile, the vendor has typically regretted his ability to replace. Can you beat that? And yes, the card issuer is yet to reverse the charge on my statement. I am sure that I am not the only sucker. When you are buying remote, that is, by mail or over phone, you are reposing great confidence in the supplier. Do Indian suppliers deserve this respect?

I guess fellow direct marketers will have to wait for the touch of quality in local products before they can go all-out on DM. But they may soon have their hands more than full with multinational products. The question is whether they can cope. Certainly not with mailing lists which miss as much as they hit!

PARLOUR PUSH

An old poem goes thus: "'Will you come into my parlour?' said the spider to the fly." And that's exactly what ice cream makers will recite over and over in the near future. For today they are making a concerted parlour push in Bombay. So fast are ice cream parlours proliferating that if all plans are realised then almost every street corner will have a five-star type to boast of.



Among the first to make moves in the marketplace was Kwality Frozen Foods, which set up a chain of Yankee Doodle parlours. Today they number 30, but Kwality is unsated. It is seeking to hike that figure "to 55 in the near future," says Kwality Frozen Foods managing director Ravi Ghai. And that's not all. The company is setting up an entire new line of parlours called Bonker Zone in the city which will be taken national later. "One is already up in the city and two more will be in operation in July or so," says Kwality Frozen Foods executive director N.K. Seth.

Then Vadilal, the late entrant into the parlour game, is making up for lost time. It is adding to its two recently-opened Happinezz parlours with four more (see Reports 'A New lick' p.58)

And chic and upmarket player Pure Gold of the Taj, "the leader in terms of sales — around Rs 25,000 a day," avers Ideal Ice & Cold Storage executive coordinator Anil Pathak, is yes, also branching out. End September should see another two Pure Gold parlours in the city ("The second one will be very different from the rest of our parlours in terms of products,") to be followed by some four more a while later.

But will this parlour gambit pay off? It is a risk ice cream manufacturers have to take if sales are not to fall. Faced with increasing input costs because of inflation and higher government levies on this 'luxury' product, they have had no choice but to target the upper- and upper-middle classes who are relatively insensitive to price increases.

But like Dollops (Cadbury's ice cream brand), which has its ice cream parlour chain called Lopstops, there could be some hiccups in store. According to the grapevine, Cadbury has had to shutter some of its Lopstops. Cadbury business manager — ice cream — Ashok Jain, however, denies it: "We may have relocated Lopstops, but certainly not closed down any." Market sources say that the high investment franchisees have to put up front for standardised decor may be the cause for casualties.

MARKETING INDIA

Niche marketing is becoming ever sharper in the publishing business. With the economy being prised open, Lustre Print Media (the publisher of *Sunday Mail*) sees rosy prospects in covering the changing industrial face of India, and has gone ahead and launched a new periodical called *India Update*. A 12-paged fortnightly, *India Update* costs Rs 15 and gives the latest on economic trends and indicators, policy changes, governmental thrust areas, the Indian market and other related topics.

There is a hitch though. *India Update* can't be picked up off the stands. A subscription is what will get you a copy; the other option is to become a VVVIP who's on the government's mailing list. Explains Lustre Print Media deputy general manager Yashpal Khanna: "Our main subscriber is the government (it picks up 10,000 copies every fortnight) which mails it to key decision-makers across the world." The list includes heads of international institutions like the World Bank and International Monetary Fund, major industrialists and important business personalities in India and abroad. According to Khanna, the information is compiled from various publications, newsletters, Reserve Bank bulletins etc. "The advantage here is that readers have a single reference point for a wide range of information," says Khanna.



GULF CALLING

Indian ad pros are increasingly Gulf-bound these days. No, they're not going on shopping sprees with their wives and families; rather they're landing plum senior jobs in the oil countries. The first to do so was Suresh Balasubramaniam, Trikaya Grey executive director. Then HTA Delhi chief Nikhil Nehru hopped on

IN THE NEWS

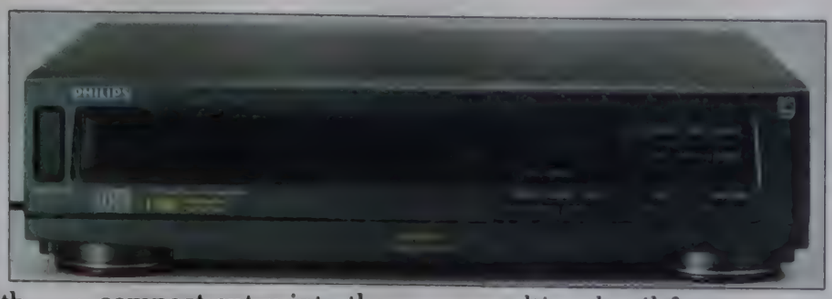
to a Gulf flight to join Publi-Graphics, a Gulf agency.

One such agency which is luring Indian admen is Lintas:Gulf, an outfit that Lintas:Worldwide set up six months ago. With business worth $10 million, the agency's operations cover the United Arab Emirates, Bahrain, Saudi Arabia, Qatar and Oman. Its operational brief is slated to be extended over Iran, Iraq and Kuwait in future. Ajay Shrikhande (ex-Lintas:India and Lintas: Indonesia) heads the 15-man Gulf squad and the latest to join the fold is Raj Halve (a former professional with Lintas:India and Clarion Advertising) who took over as account director.

Lintas:Gulf has some neat accounts in its bag, among which figure Signal 2, Close-Up, Axe aftershave, Brut, Rexona deodorant, the entire Surf range and Johnson & Johnson International. Says Halve: "Till recently Dubai was a trading market with the only advertising emanating from there being for catalogues and retail stores. This, however, has changed, and some leading companies are attempting to build brands as these bring in profits. And that's the segment that we are positioning Lintas:Gulf to service."

PHILIPS' NEW TUNE

Peico Electronics & Electricals (Philips) is playing a new tune. The company is making a



compact entry into the music sytems market with its compact disc (CD) player branded AK601.

The AK601's sticker price of Rs 8,000 gives buyers some dazzling features: program (the facility to select a particular series of tracks), memory (to store the sequence) and shuffle (to select the sequence randomly). And that's not all. It also has an introscan facility, that is, it can play the first six seconds of each track to know whether its pleasing enough and worth a listen.

To ensure that buyers are not just left twiddling the switches in the absence of CDs, Philips has hitched up with Music India (which has some 500 music tiles — both Indian and western — on CDs, each costing Rs 360-plus) to offer discounts on the discs if an AK601 is picked off the shelf. Philips' new gizmo will compete for space on shopshelves with the likes of players from Super Cassettes Industries, Videocon and Bush, apart from the smuggled stuff. Will it get cash registers in shops singing?

SERV'O'ING AN ACE

It's hoping to serve better. And it's banking on a new packaging mode to do the trick. Servo Superior, the high-tech multigrade oil from Indian Oil Corp, is now being testmarketed in an innovative four-litre value pack. Developed by ITC's packaging and printing division, the unique bag-in-box pack consists of a pre-sealed, double-walled bag into which oil is poured. The bag is then housed in a



sturdy protective box; hence the label 'bag-in-box.'

A red spout with a beak facilitates easy and perfect pouring, preventing any spillage, wastage or mess that normally occurs when vehicle owners try their hand at replacing the gooey fluid in their cars. A seal on the box prevents tampering or pilferage. An added convenience is the four-litre size, as no new generation car requires more than that amount for a complete oil change. IOC is also test-marketing its Servo Super Multigrade oil in the new pack. Once the market responds well to the new Servo packaging, the other oil outfits are also expected to opt for it. Serve on Servo!

TSME'S NEW ACQUISITION

He's moving on. Pepsi Foods general manager (corporate affairs) Neel Chatterjee has put in his papers at the company with which he has been associated for quite a while now. Sources say Pepsi's loss has been Tara Sinha McCann-Ericksson's (TSME's) gain. Chatterjee is reportedly joining the Delhi-based agency as senior vice-president looking after specific McCann-Ericksson Worldwide accounts in India.

RETURN OF THE BIG BOSS

Remember Adam, the premium condom which promised to show her who's the boss? Following the entry of Kama Sutra — KS — (when everybody was a dare

sight more enamoured by Pooja you know who's feminine charms) Adam's fortunes were believed to have gone phut. All except Polar Latex, the company that makes Adam. Clarifies Polar Latex president S. Nag: "KS has caused no dip in our sales; in fact we have been able to meet our first year target." Nag says the misconception that KS had done Adam in arose because Polar intentionally withdrew Adam from the market around the time of the KS launch. "We shall shortly come back with high-voltage advertising now in order to peak before the winter season," he adds. What winter season? According to him condoms too have their seasons. Sales balloon during winter and sag during summer. The winter months account for 60% of annual sales. These then taper off during the summer, which is responsible for the remainder 40%, says Nag.

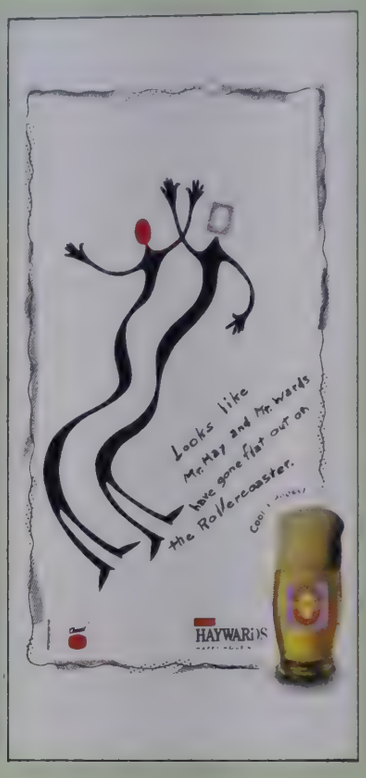
Nag promises that this time Polar will generate a lot more excitement with Adam, for, the advertising is being finetuned. "We shall be doing a lot of theme-based ads, maybe something like Amul but more Hindi movie-oriented."

Why not? With an estimated market of 1,200 million pieces per annum, of which 1,000 million are sold by the government, private players are bound to squabble over the remaining 200 million. More so as of this 200 million, 80 million are the foreign smuggled variety (with the ubiquitous titillating photograph). The market leader is Kohinoor, but with newer entrants like KS and Adam, there's a lot of sabre-rattling going on.

There's some more of that likely to happen what with rumours that Polar is set to launch two more varieties of condoms. Though the brandnames (these won't be Adam) are under wraps, one is to be very downmarket while the other will be upmarket. While the lower-end condom may not be accompanied by major advertising (except for maybe point-of-purchase material or vans as it will be primarily for the rural market) the other promises classy advertising.

MAKING HAY

Booze advertising is getting more brazen. Take a look at the work done in the print media by Triton Communications for Haywards beer, a Shaw Wallace brand. Like all liquor advertising it seeks to hide behind other products. But there's a difference. The Haywards Happy Hour Mugs, standing in for beer bottles, brim over with the bubbly liquid. Besides, the ad has two characters called Mr Hay and Mr Ward (both line drawings) grooving away in a bid to show that Haywards is a trendy beer. Finally, the typeface is also quite *avant garde*.



Prima facie one can't fault the advertising for it undoubtedly serves its purpose in that it is a real eyecatcher. Says Triton Communications joint chief Ali Merchant: "The perception about Haywards is that it is a conservative and forgotten brand. We've changed its pack, making it more appealing to the young executive and student who's highly westernised in his outlook. We wanted people to think of the product's revamp; so we took an unusual stance."

Unusual or not, one question that can be raised is: should liquor advertising be allowed to go this far when it is banned in India? (Obviously nobody's going to mistake the Haywards Happy Hour Mugs ad as a pitch for a milk product.) Merchant thinks so. Says he: "Why not? And why should people resort to surrogate advertising? Come on, drinkers are going to drink whether there's advertising or not. It's real hypocrisy. Several countries permit direct advertising, but in India you don't."

What he says is very true. Isn't it about time the authorities did a rethink on allowing full-fledged liquor advertising? The other option is that people take the middle-of-the road as they've been doing for so long. In recent times, city streets have been seeing a surfeit of hoardings all extolling the virtues of London Diet (a low-calorie beer brand from the London Pilsner stable in Bombay), London Lime, Executive Club, Officer's Choice *et al*. And this is bound to increase as liquor companies are getting more aggressive in their marketing. Remember, nobody's fooled by the camouflage they use. That's an issue that industry and the government have to really look at afresh in a more liberalised economic environment.



BIG BUSINESS JOINS THE GREAT SOFTWARE RUSH

But they'd do well to watch out for pitfalls.

Some are doing it for the money. Others, for the show. Some are getting ready. Others are on the go. Suddenly, big business is tuning into the software market. And the sound of computer keyboards clacking is sweet music to their ears.

Look at all the large industrial houses that have set up software divisions or subsidiaries in recent months: the Aditya Birla group, the C.K. Birla group, the Ambanis' Reliance, Larsen & Toubro, the Gujar Mal Modi group, G.P. Goenka's Duncans group, ICI, Siemens, the Finolex group, the TVS group, the Nicco group... the list goes on and on. And at least two large houses — the JK group and the Arvind Mafatlal group — are reviving companies that had tried, without much success, to catch the bus some years ago.

The Tatas, who've been alone at the top of the software pile for more than two decades, suddenly have plenty of company coming.

The numbers lure. Why? For part of the answer, look at the statistics. In the last four years, the software industry's sales have more than trebled, from Rs 241 crore to Rs 730 crore. Export revenues (which happen to be tax-free) have more than quadrupled, from Rs 101 crore to Rs 410 crore. And although few software companies are willing to reveal their bottomlines, it is safe to assume that average profit margins are around 30%. Says Yash Pal Sahni, senior vice-president at Bombay-based Tata Consultancy Services (TCS): "Software's allure is simple — no other industry has grown as quickly."

Nor has any other business shown quite as much potential. The world market for software is expected to cross the $1 trillion mark by the turn of the century. More and more corporations in the US, Europe and, in a smaller way, Japan are turning to the developing world for their software needs. Whether India, as a nation, will emerge a major player is left to be seen; but there's certainly ample opportunity for individual Indian companies to rake in money. Says Srinivasan Subramanian, president of Bangalore-based Wipro Systems: "Even if I had revenues of Rs 1,000 crore, I would be nowhere near the international big league — but hey! I wouldn't complain."

But earning potential isn't software's only attraction. There's also the glamour normally associated with high technology. As Nanda Joshi, president of the Bombay-based Mafatlal Consultancy Services (MCS), points out: "Many of the large business houses are stuck with traditional industries like textiles, cement and chemicals. They make money, alright, but are considered old-fashioned and staid. The software business, on the other hand, is modern, progressive and hi-tech. That's the sort of image any big group would like to have." Bhaskar Banerji, director of Duncans group, offers another reason: "The intellectual satisfaction of making money in such a cerebral line of business."

The dollar bait. And then there's the export imperative. The new exim regime makes it almost obligatory for large groups to earn foreign exchange. And those that do are looked upon favourably by the government. As Bharat Mehta, managing director of Bombay-based Sum Business Consultants (SBC), puts it: "Exports are the best route to Delhi's good books." Most of the software units being set up by big business are 100% export-oriented.

Clearly, there is no dearth of incentive for the Birlas, Ambanis and Modis to set up software shop. But making a success of a software venture isn't as simple as it is sometimes made out to be. Says TCS' Sahni: "The software business has been grossly oversimplified — people think they can come in and make millions

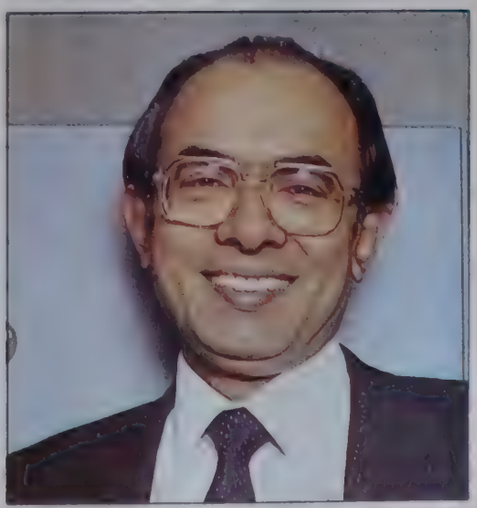


Yash P. Sahni, senior vice-president, Tata Consultancy Services

The software business has been oversimplified — people think they can come in and make millions overnight

Companies that have the backing of large groups can take a few body blows and still survive to fight another day

S. Subramanian, president, Wipro Systems





P.D. Jain, executive president, Birla Consultancy & Software Services

Compared to the money big groups spend on other projects, the cost of setting up a software company is peanuts

The conventional methods of managing a business don't apply in the software industry

S.S. Oberoi, senior director, department of electronics



overnight. If it were that easy, we wouldn't have taken nearly a quarter of a century to get as far as Rs 165 crore." It won't take others as long to get there (the market is expanding a great deal faster than it was in the 1960s and 1970s, when TCS grew at snail's pace) but there are many pitfalls on the way.

Take the matter of management style. Says S.S. Oberoi, senior director in the department of electronics: "The conventional methods of managing a business don't apply in this industry." Adds SBC's Mehta: "If an industrialist thinks he can run a software company the way he runs a textile mill or a petrochemicals plant, he's in for a pretty nasty surprise."

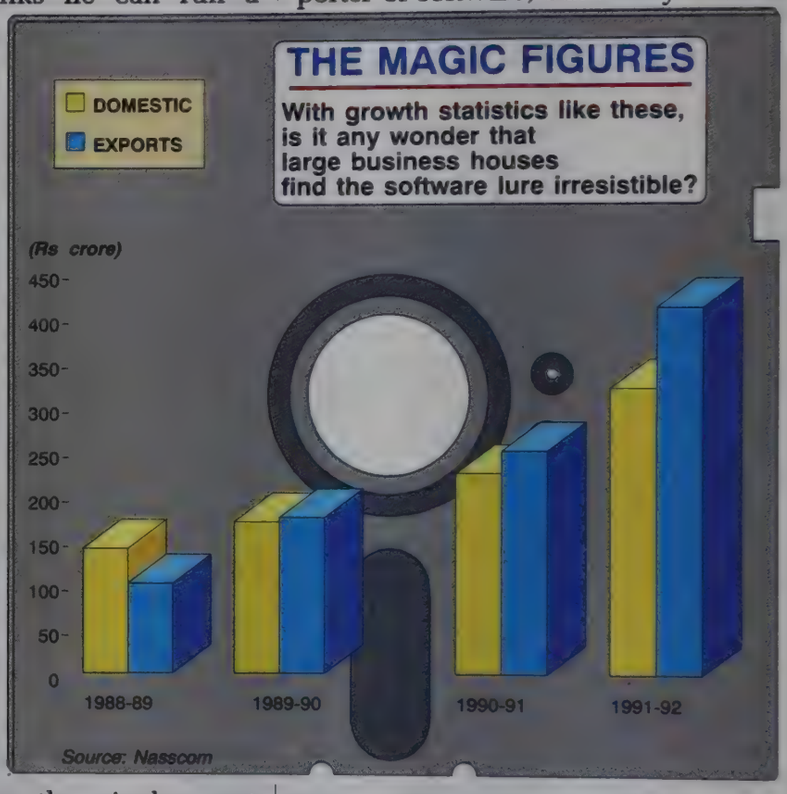
Simply put, software is all about people. Computers may be the equipment used to produce the goods, but the manufacturing process happens largely in the minds of the systems analysts — without their expertise, the hardware is useless. Keeping staff motivated is, therefore, the single most important function of management. And this can only be achieved through near-total autonomy. There is no place in this business for the bureaucratic administrative systems normally associated with large industrial groups.

The common thread that runs through all the successful software companies (TCS, Tata Unisys, Citicorp Overseas Software, Wipro Systems) lies in their professional managements. Says MCS' Joshi: "This isn't the sort of business where the promoter can make his commerce-graduate son-in-law the chief executive. Nor can he expect to learn the trade by experience. If he isn't technically qualified, he'll simply have to leave the important decisions to those who are."

Homefront first. One of the most important of those decisions concerns market focus. Given the imperatives and incentives attached to earning foreign exchange, most businessmen tend to go the whole hog on exports. The temptation is to ignore the home market, which is much less lucrative. This, says TCS' Sahni, is a short-sighted approach. "Anybody who ignores the domestic market is asking for trouble. We may be the biggest exporter of software, but nearly 25% of our revenues come from our Indian operations. That's where our people learn their most important lessons and gain experience. If you don't have a track record at home, no foreign buyer will take you seriously."

Of course, there's no reason to suggest that big business cannot adjust to the management style that best suits the industry and avoid the traps that may come in their way. There's no question, either, that software units attached to large houses enjoy several compelling competitive advantages over independent outfits.

For a start, there's financial muscle. While brain-power is clearly the fuel that drives a software unit, it obviously cannot get off the ground with-



out computer hardware. Small companies with limited funds must limit themselves to a few personal computers (PCs). Bigger players, on the other hand, can start with the biggest IBM mainframes. Says P.D. Jain, executive president of Birla Consultancy & Software Services (BCSS) — Grasim Industries' new unit: "Industrial groups like the Birlas and Ambanis don't hesitate to spend Rs 400-500 crore on new projects. In comparison, the cost of setting up a software company is peanuts."

Given the high cost of marketing abroad, few small software outfits dare dabble in the high-risk packages business. Big business can afford to be more adventurous. It can, of course, be argued that the more a company invests on a product, the more it stands to lose if it bombs. But along with the availability of cash comes the ability to weather a few storms. Says Wipro Systems' Subramanian: "Companies that have the backing of large groups can take a few body blows and still survive to fight another day."

He speaks from painful experience. Three years ago, Wipro Systems had accumulated losses in the region of Rs 2 crore. While the company's turnaround cannot be attributed entirely to Azim Premji's deep pockets, Subramanian admits that the Wipro group's financial muscle did help a good deal. "In a similar position, any independent company would have gone under."

A combination of money power and corporate image helps big business to attract the best talent available. This is probably their greatest strength; particularly since the industry is chronically short of hands. It is no coincidence that small software firms are finding good systems analysts harder to get now than just a year ago.

Cash is credibility. Largely due to their financial clout, big groups also enjoy greater credibility in foreign markets. This can sometimes offset their lack of sufficient experience in software development. Says SBC's Mehta: "When you're bidding for a major contract, it helps if you're part of a Rs 3,000-crore empire. Clients don't cut you short in the middle of your sales pitch. And they can be confident that you won't collapse at the first crisis point."

If necessary, large industrial houses can use their association with big corporations abroad to garner business. Says Dewang Mehta, executive director of the National Association of Software & Service Companies (Nasscom): "Many big houses bag software contracts from foreign companies with which their group companies have technical or equity collaborations." The word-of-mouth publicity these collaborators can generate is invaluable.

Past failures. But all these advantages don't automatically add up to success. Big business has tried to play in the software market before, and only a few managed to tot up any significant scores. Says Nasscom's Mehta: "Big houses have set up software units in the past; but after a while, the top management lost interest." Some players like Shaw Wallace have retired hurt. Others like JK Technosoft, MCS and Kirloskar Computer Services continue to graft on, but have long been overtaken by independent outfits; none of the three found a place on Nasscom's Top Twenty list last year.

The law of averages dictates that some of the big new entrants will suffer a similar fate. Already, one or two are showing signs of second thoughts. The Ambanis, for instance, are believed to have put Reliance Technologies on the back-burner. But judging by the size of their investment plans and the rate at which they have been "poaching" talent from other companies, many of the projects will go through. Says Wipro Systems' Subramanian: "If they've done their homework and are prepared for a long haul, they're bound to make waves — of the tidal kind."

In the process, the big fish are also likely to swamp some of the minnows in the business. Says MCS' Joshi: "As the large houses corner the cream of talent available, small firms will find it increasingly difficult to stay in the race."

But it will be a while before the situation gets that grim. The new players will take time to settle down before they can launch into attack. And every step they take will be closely monitored by the rest of the industry.

□ Aparisim Ghosh with Anup Jayaram



Bharat Mehta, managing director, Sum Business Consultants

If you're part of a Rs 3,000-crore empire, prospective clients don't cut you short in the middle of your sales pitch

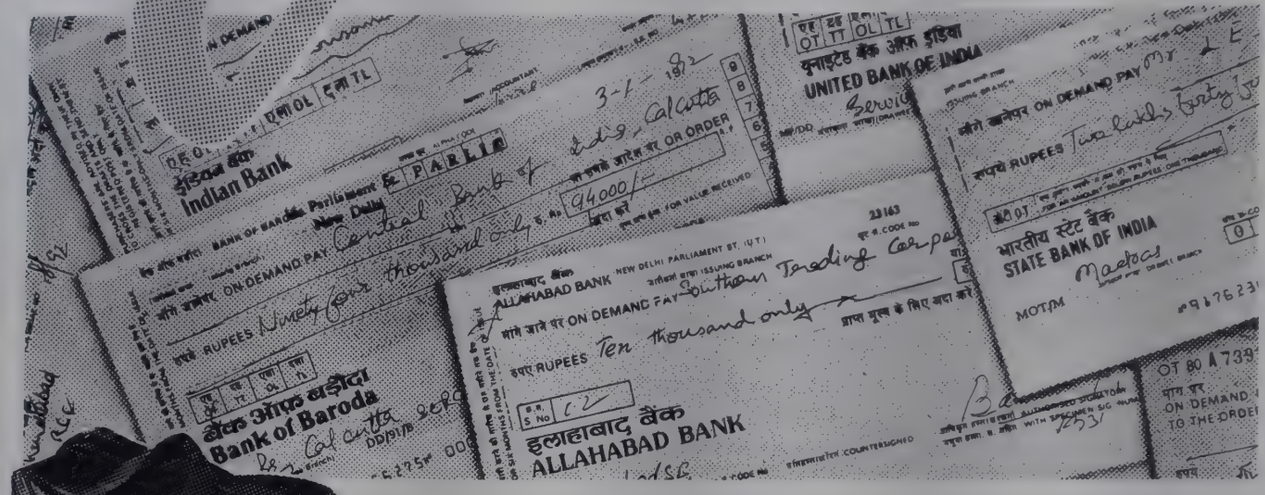
There's intellectual satisfaction in making money in such a cerebral line of business

Bhaskar Banerji, director, Duncans Group



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VIRTUALLY EVERY NATIONALISED BANK BANKS ON ONE COURIER TO TRANSFER CRORES WORTH OF REMITTANCES OVERNIGHT ACROSS INDIA





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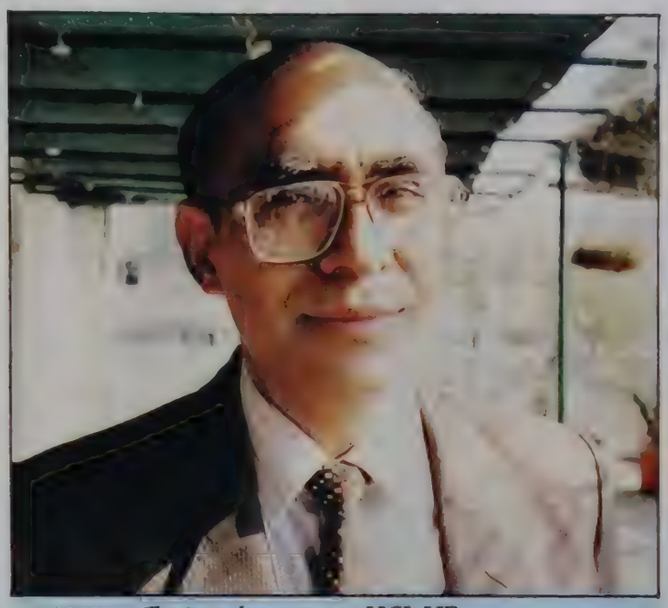
WITHIN STRIKING DISTANCE

Wipro Infotech inches closer to market leader HCL-HP.

Ashok Soota's pleased with the way 1991-92 shaped up. Which is rather odd. After all, the year saw Wipro Infotech post its lowest ever growth rate — a mere 18%. Granted that it was a tough year for everybody in the infotech business. But some of the industry's top ten companies did record impressive gains; Digital Equipment India and ICIM, for example.

So why is Soota satisfied with Wipro Infotech's performance? One reason is that the 18% growth is four percentage points better than the hardware industry average. "This is the 11th straight year that we've done better than the mean — and that's a pretty good record," he points out. And anyway, comparisons with Digital and ICIM aren't entirely fair; both companies grew on much smaller bases.

But beating the industry average contributes to only a small part of Soota's happiness. More important is the fact that the company is now back within striking distance of its old foe, HCL-Hewlett Packard. The Shiv Nadar company is expected to close its books on 1991-92 with revenues at around Rs 230 crore, as against Wipro Infotech's Rs 195 crore.



■ **SOOTA:** *Closing the gap on HCL-HP*

The gap separating the infotech industry's top two titans hasn't been this narrow for quite a while now. They were neck-and-neck until 1987-88, after which HCL (as it was then) opened up a commanding lead. The difference widened to Rs 66 crore in 1989-90 before Wipro Infotech started closing in again.

It can be argued that HCL-HP had a particularly poor 1991-92 because Nadar was busy restructuring his company. That done, HCL-HP seems poised to make a splash this year.

But Soota doesn't plan to take things easy, either. With two new manufacturing facilities (a peripherals factory in Mysore and an export-oriented unit in Madras) in place, Wipro Infotech will keep the chase alive.

The company should be in a solid position to exploit its strengths in workstations (Sun), minicomputers (Landmark), low-end mainframes (Tandem) and data communications. Soota's target: "As always, we're aiming to stay ahead of the industry growth average...say around 25%."



ICIM'S NEW, OPEN OPTIONS

The RPG company expands its product range.

At first glance, ICIM's new product announcements for the 1992-93 fiscal year aren't terribly exciting. In a sense, it has no "new" hardware products — just upgrades of the bestselling Krypton DRS 6000.

A closer look, however, reveals that the DRS 6000 is no longer a simple minicomputer; it is now an entire family of mid-range Unix machines. What ICIM has done is provide a plethora of options that a buyer can choose from and configure to his own needs. Each configuration is, in effect, a product in itself.

■ **JAIN:** *Offering a plethora of options*

For example, the DRS 6000 with a 40MHz board and single central processing unit (CPU) has the computing power of 28 million instructions per second (mips); while the DRS 6000 with four CPUs can crunch out numbers at an awesome 116 mips. In terms of

A turnover jump of 48% in just one year.



So what?

Many companies can claim as much, if not more.

So the difference is that we recorded this growth on a base of Rs 1330 crores turnover in 1990-91... to Rs 1964 crores in 1991-92.

So it came in a difficult year — characterised by general recession, high interest rates and the after effects of the Gulf war.

So, what's more, our turnover is expected to take a further jump of 32% this year — to Rs 2600 crores ... and to Rs 4300 crores in five years time. Aided by an ongoing investment plan of Rs 5000 crores in 21 concurrent projects.

So our diverse product mix includes plastics, synthetic rubber, synthetic fibres, fibre intermediates, chemicals ... Produced in 30 plants, utilizing technology tie-ups from nine countries. Serving growing mass markets.

So we were rated the "World's Best Performing Petrochemical Company" by Chemical Insight, London.

So what more?

IPCL

Indian Petrochemicals Corporation Limited

HTA 2864

WHAT A REAL BLUE CHIP OUGHT TO BE

performance, these would be two very different machines, even though they share a common brandname.

A common philosophy. They also share a common computing philosophy: Open Systems. ICIM, one of the first "open" companies in this country, remains committed to the computing environment that allows users to network machines supplied by different vendors. It's a commitment that has paid the company rich dividends; ICIM totted up revenues of Rs 106 crore in 1991-92 (a decent jump from Rs 82 crore in the previous year), and a good portion of that came from sales of DRS 6000s. Since its launch at CSI'90 in Calcutta, the company has sold 75 machines — that's more than one a week. Says president Ashok Jain: "We've met targeted numbers on all our scorecards."

The other important new ICIM product this season is OfficePower, an integrated Unix-based office automation system developed by the company's British principal, ICL. With more than three lakh users worldwide, OfficePower is one of the most popular systems of its kind. It comprises sophisticated tools that make for effective document information management which, in turn, aid in the processing of text, image and procedures. The bottomline: greater office productivity. Says Jain: "This isn't just another office automation system — it's more like an office integrator."

But that's not the end of ICIM's product plans for the year. Jain says the company is now holding talks with Fujitsu of Japan (that took over ICL more than a year ago) and should be in a position to "make some interesting announcements" in a couple of months.

THE HART OF THE MATTER

Satyen Deb zooms in on high-potential niches.

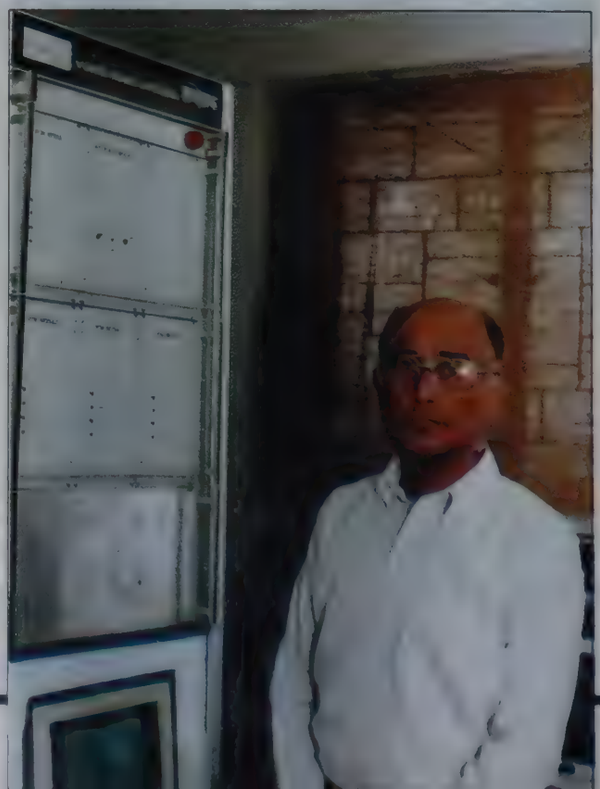
Hamilton Research & Technology (Hart) doesn't do any of the "sexy" software stuff — it boasts no cute PC products; it hasn't made any waves beyond Indian shores. Nor does Hart sell a range of PCs, workstations and minicomputers.

Instead, it concentrates on such unexciting infotech tools as process control systems and transformer protection devices. And it makes pretty decent money, too.

President Satyen Deb chooses his niches carefully, picking out those that have plenty of potential, even if they don't normally attract the attention of larger players. Take, for instance, 'FailSafe', the Hart product that protects transformers from overloading, system faults and similar dangers. Sounds ordinary, but Deb is quick to point out that the potential market is enormous: "There are some 50 lakh transformers in rural India...need I say more?"

For another example, look at Hart's 'Auto Recloser'. Often, when an electrical line trips, the entire grid follows suit. Finding and repairing the damage is a time-consuming business. With Auto Reclosers installed at individual nodes between branches and sub-branches, the "tripped" area can easily be isolated. This isn't the sort of product you'd expect from HCL-HP or Wipro Infotech. But, again, consider the demand for such a device in a country where electrical lines trip as a rule rather than an exception.

DEB : *Choosing his niches carefully*



Major success. Hart's most significant success, however, has been in the area of process control systems for Hindalco's smelting pots. It has garnered business worth Rs 6 crore over the past three years and now hopes to export its expertise, thanks largely to an agreement with the Italian firm Techmo, which provides consultancy services to aluminium plant modernisation projects worldwide. For good measure, Hart is in the process of formulating an integrated plant automation system that will facilitate aluminium production from the bauxite stage to the final extracted metal. If all goes well, Hindalco and ICICI will help finance the development of this system.

The company is also developing a voice mail system (VMS) for MTNL's main exchange at Prabhadevi, Bombay. It recently launched "Chat Back", a VMS add-on card for personal computers. Priced at around Rs 7,000 apiece, the card should find no dearth of takers, but Deb isn't predicting big sales for this year. "We are still testing the waters," he says.

Nonetheless, he expects Hart's revenues to be in the region of Rs 6 crore, twice the 1991-92 performance. Not bad, for a company that sticks to infotech's unglamorous fringes.

COMMENT

CAPITALISING ON KNOWLEDGE

By G.B. PRABHAT



Many feel intellectual capital, as a strategic resource, will come to take priority over conventional resources such as money and machines

Business corporations in the advanced countries are awakening to the potential of a new strategic resource: intellectual capital. Broadly speaking, 'intellectual capital' indicates the business-specific problem-solving knowledge resident in the experts of the business organisation as well as in the organisation's policies and standards. Industry luminaries like Akio Morita feel that in the coming years, as a strategic resource, this knowledge will take priority over conventional resources such as money and machines.

American corporations are trying various strategies to retain intellectual capital and disseminate it effectively. Some have resorted to creating emeritus positions so that the retirement of their best experts may be delayed enough to effectively distribute their intellectual capital. Japanese corporations are contemplating advancing the retirement age of all employees to 65. In addition, these business corporations are experimenting with other tactics including encouraging employees to share war stories about new experiences in informal atmospheres, adopting an 'ad-hocratic' structure in preference to bureaucratic structures for information to flow more smoothly and documenting case studies on a daily basis on the bulletin boards of computer networks.

One of the most effective ways of managing intellectual capital is through the use of intelligent information systems. The term 'intelligent information system' is used to denote a system built on frontier technologies like knowledge-based systems, hypertext and multimedia co-existing with traditional information systems components such as databases, spreadsheets and graphics. Some companies in the US, including Digital Equipment Corp and Ford Motor Co, have launched a concerted effort called Imka (initiative for managing knowledge assets) to manage intellectual capital. This effort, which refers to intellectual capital as 'knowledge assets,' focuses on capturing knowledge assets in the form of intelligent information systems.

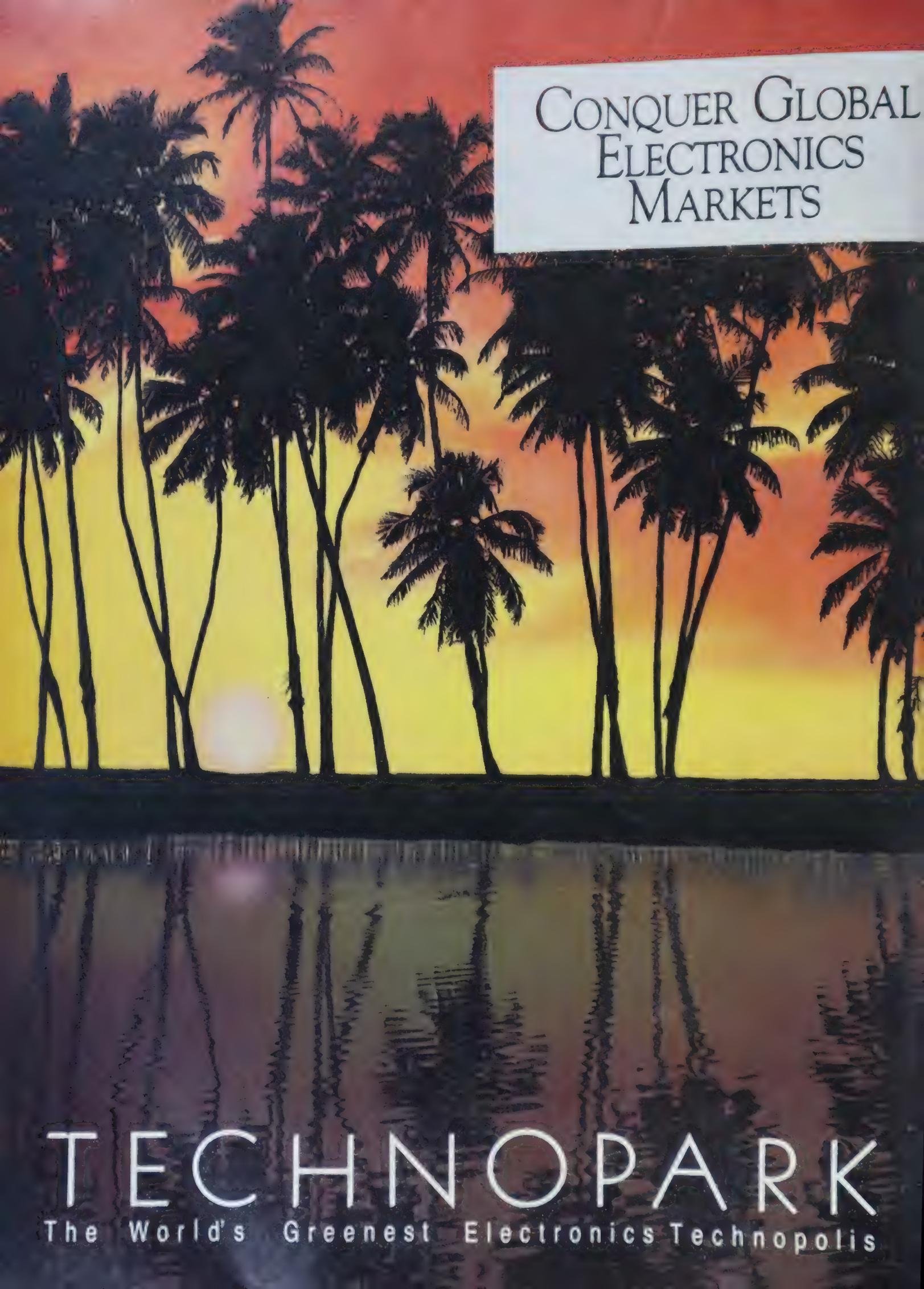
Intelligent information systems present interesting possibilities. They transform intellectual capital from its original elusive and nebulous form to tractable, structured forms. The knowledge captured in such systems is not dormant as it would be in normal documentation but is active in the sense that the system can use it to automate decision making. Managing changes to business knowledge becomes easier since the knowledge base in the intelligent information system can be modified and maintained without much effort. Owing to the infinite repeatability of software, such systems can be distributed generously thus making dissemination of knowledge and information more effective than hitherto possible. Using the institutionalised experience in intelligent information systems, the business corporation gains a significant competitive advantage in using it to train novice recruits rapidly to the practitioner level.

Business corporations in India do not have very sophisticated systems to capture knowledge and information. Standards like ISO 9000 are ushering in the consciousness about documentation. While these standards provide for the documentation of procedures, the issues of knowledge remain untackled. Indian business corporations must prove untrue the oft levelled allegation against them that they are capable of only a late awakening.

Some progressive organisations in India like Citibank, ICICI and the Murugappa group are spearheading the Indian initiative for managing their knowledge assets through intelligent information systems. Citibank has developed a knowledge-based systems module embodying the expertise of its experts in credit authorisation. This module ensures speed and consistency in decision making processes involving huge piles of customer data. ICICI is planning to capture expert knowledge in the area of merchant banking to build a system that would suggest means of finance for newly proposed projects. This would help the merchant banking division of the company analyse new proposals quickly and more comprehensively. Tube Products of India, a part of the Murugappa group, is in the process of building an expert system for the setting and operation of its tube mills.

Some reasons for having these systems are scarce expertise built over long periods of time which has to be made available more generously, frequent rotation of jobs where employees do not leave a trail of their expertise and knowledge, consistency in decision making and reduction in future manpower requirements. Through these projects the Indian business world is beginning to join the international corporate community in reinforcing the truth in what Bacon said: "Knowledge is power."

The author is chief consultant, Sundram Information Systems.


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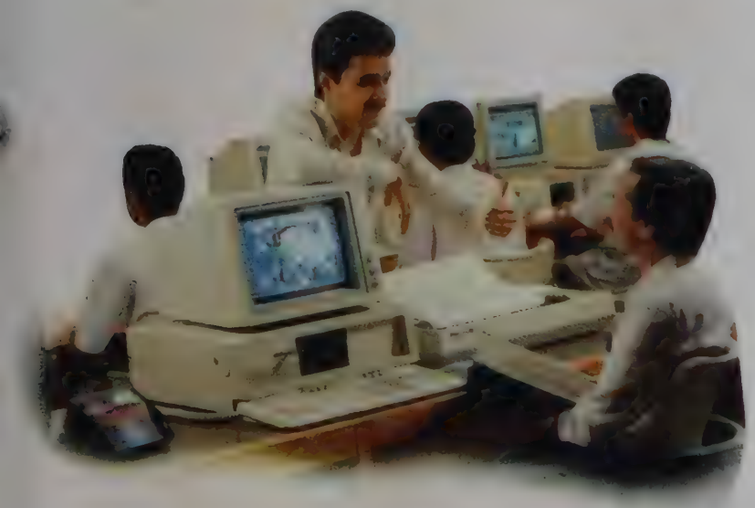
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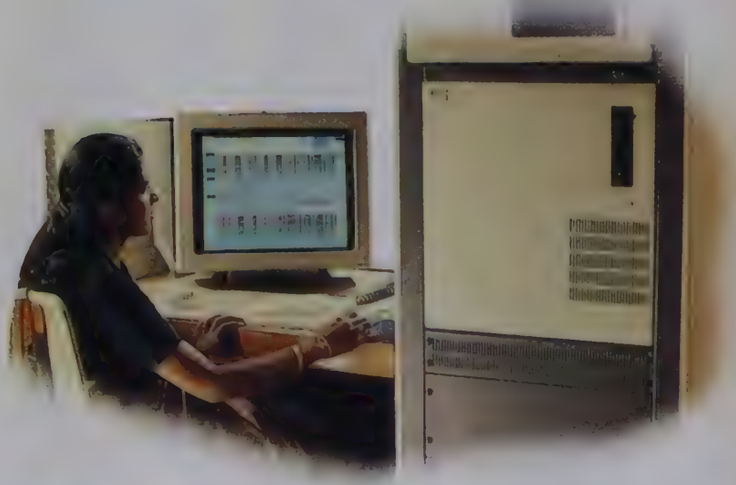
GENIUS AND SKILL

Keralites are 100% literate. 5 Universities and innumerable electronics and computer training centres provide a regular and abundant supply of proficient human resources for the electronics industry.



LIFESTYLE AND LIVING

Trivandrum offers a quality of life unmatched by any other location in the region. An abundance of glorious beaches, backwaters, hill- stations alongwith plenty of high-quality schools, colleges, hospitals and well-developed transport, communication and social amenities provide a good lifestyle to the working person.



TECHNOLOGY AND PROFITS

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TECHNOPARK, Kerala — where quality of life makes the difference.

TECHNOPARK is modelled after the leading technology parks of the world, including Silicon Valley. This is India's first and only electronics technology park. In a sprawling campus at Trivandrum. With a comprehensive and internationally-competitive manufacturing environment, including an R & D Incubator ; Callibration, Testing & Standardisation Labs ; Satellite Earth Station ; Central Pilot Production Complex ; Inexpensive Continuous Power. Alongwith common facilities such as banks, post-office, auditoria, conference centres, restaurants, shops, recreation clubs....

All these, supported by very, very pro-active, pro-enterprise policies and attractive incentives, subsidies and tax benefits. Yes, TECHNOPARK is the place to set up your electronics unit. For complete details, contact the Chief Executive Officer.

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SKETCHING THE PAINT PROGRAM

In the last issue we looked at the *Write* option in the *Accessories* menu of the *Windows* program. In this article, we will look at the *Paint* option. To do this you have to switch on Windows, and click with your mouse on the Accessories icon. Then you choose the Paint option by double-clicking on it.

This activates the Paintbrush program. I have, at this moment, finished doing all this. I now have a different problem from yours. I have to experiment with Paintbrush and write about it at the same time. One easy way to do this is to take a writing pad and write on it while working on the computer separately. That will work, but is a little cumbersome because I would need to switch between the pen and the keyboard every so often. And, once over, I would need to type all my handwritten material into the computer.

Multitasking facility. Another way to write about Paintbrush would involve working with it for a while, closing the program and calling up a word processor. This would be even more inconvenient because I would need to open and close two different programs every few minutes. I am going to solve this problem using the Windows multitasking feature. This is probably the single-most important feature of Windows, the one for which it is such a runaway success. This is how it works:

I have switched on Windows, clicked to open Accessories, and double clicked to open Paintbrush. Now, I can minimise Paintbrush. To do this, notice the two little triangular arrowheads on top of the screen. If you click on the one pointing down, you will find that the current application would become a little icon once again and drop down to the lower left corner of the screen. It is still active, but minimised. When you do this, you notice that the Accessories screen was lurking behind the Paintbrush screen all along — only now can you see it.

So, you can now call up Write — the Windows word processor. When I did this, Write came up as usual, but this time the little Paintbrush icon was also present at the bottom of the screen. Now I can write my article, and, whenever I wish, click on the Paintbrush icon and bring up the Paintbrush screen on top of the word processor. Whenever I wish to return to my writing, I can minimise Paintbrush again and my article will reappear, exactly where I had left it!

This is multitasking, the ability of Windows to keep two or more programs "active" at the same time.

While I was feeling quite pleased about being able to operate Paintbrush and Write at the same time, I discovered an even simpler way. At the moment I have Write on my screen, on top of Paintbrush, I can click on the top band of the Write screen, and, holding the mouse button down, move the mouse around. This is



called "dragging", and the moment I release the mouse button, the entire Write screen moves to a new position. So, I can drag the screen so that most of it is out of the field of vision, thereby exposing the Paintbrush screen behind it. Just as though they were two sheets of paper! Whichever program you want, just drag it right back to the centre of the screen.

Well, now that we are all set, let us continue with our study of the Paintbrush program. Actually, it is not such a new thing. Under the old DOS, there was an extremely popular program called *PC Paintbrush* from a company called ZSoft. Windows' Paintbrush is almost identical; it was probably purchased by Microsoft from the same source.

A drawing program. Paintbrush is a drawing and painting program. It presents you with an electronic easel and a set of electronic painting tools. Once you have finished drawing, you can print out the image on a dot-matrix printer, a laser printer or even a typesetter.

Programs like Paintbrush can also be used to edit, crop and modify photographs which have been digitised into the PC using a video camera and some nifty electronics. Since such drawing programs are essentially changing the pattern of dots on the computer screen, they are sometimes referred to as "Bitmap Editors."

The Paintbrush screen consists of a rectangular blank area, the canvas if you like. On the top is the usual menu bar with the options File, Edit, View, Font, Style, Size, Pick, Options and Help. On the left side of the canvas is the "toolbox" — a collection of little rectangles with icons depicting different tools for drawing. At the bottom of the screen is a set of coloured and patterned rectangles called a "palette." Since you cannot see the entire colour screen because of all these icons, there are scroll bars on the right and below the drawing area, where, with the help of little arrow symbols, you can move the drawing board up, down, to the left or right to see the hidden areas.

The basic method of drawing involves selecting a tool by clicking on it, selecting a colour from the palette and using the mouse as the equivalent of the brush or whatever tool you are using. The menu items help you to save your work on a disk file, or to call up other work already done or in progress. They also provide methods by which you can modify a drawing in many different ways.

Paintbrush can be used for adding graphics and photos to text, for desktop publishing, to teach the use of colours, to make posters and various other graphic applications. More about this workhorse of the computer graphics world — later.

□ Sugata Mitra

The author is principal scientist at NIIT's computer applications research division.

BRIEFS

What's Bill Gates up to now? The boy-billionaire recently gave journalists in the US a small peek at Cirrus, the next big **Microsoft** product, currently under testing at secret beta sites. Gates describes the desktop database product as a graphical "browsing" and management tool.

Cirrus is based on Visual Basic and is claimed to give developers/users access to company-wide data sources. It will use the Open Database Connectivity (ODC) programming interface.

This clearly isn't going to be another Windows-like chartbuster, but Gates predicts it will be a big success.

Who's got the hottest notebook in the business? There are two answers, depending on which of the two industry Bibles — *Byte* and *PC Magazine* — you swear by.

Byte's editors gave Zenith's **Z-Note** family of notebooks their 'Best of the Best' award at the spring Comdex show. They were particularly impressed by the built-in networking capability, the lightweight active-matrix colour monitor and the expandability that are the hallmarks of the Z-Note series.

PC Mag, on the other hand, stamped its "Editors' Choice" seal on three portables — the **Compaq LTE Lite/25**, the **Toshiba T2200SX** and the **Toshiba T4400SX**. This, after intensive testing of 14 of the best notebooks on the market. The best of the three is clearly the Toshiba T4400SX, with its i486 chip, fantastic processor and memory speed and its four-and-half-hour battery life. There's a hitch, of course; the price tag is pretty heavy, at $5,599.

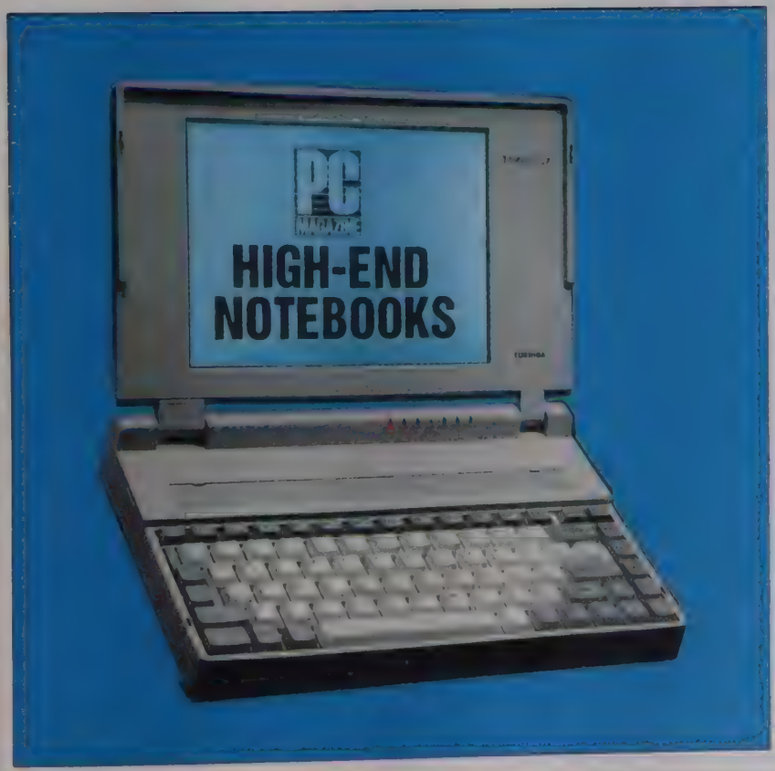
Both magazines, however, missed the launch of a superb notebook by Digital Equipment Corp (**DEC**). First reports indicate that the DECpc 320P is just the breakthrough the corporation was looking for in the lowest end of the computers market.

Priced slightly below $2,000, this sleek little gizmo comes with 2MB of memory, a 40MB hard drive and a pre-installed 2400 baud modem. Other standard features: pre-installed DOS 5.0, Windows 3.0 and a "Triple Super Twist" backlit monitor.

There's a new Sun rising in Europe. Sun Microsystems has said it will launch **SunExpress**, a new subsidiary that will sell "customer-installable products that enhance Sun's client/server computing environment." Setting aside the fancy prose, that means Sun's trying to sell some of its products directly to customers. And why not? The Dells, North gates and Gateways of the PC market have forced even Big Blue IBM to opt for the direct marketing route.

Where SunExpress will be located is not yet clear. But Sun says buyers anywhere in Europe will be able to call in with their orders and expect the goods to be at their doorstep within three days.

THE TOSHIBA T2200SX: *A good buy*



LAUNCHES

■ **Log Computer Systems,** based at Erode in Tamil Nadu, has launched IBMS, a codeless, on-line business management system software package which finds applications in financial accounting, invoicing, sales analysis, purchase accounting and taxation management.

The package, priced at Rs 9,990, eliminates the need to remember codes. It incorporates utilities like file sorting, data recovery in cases of power failure, data backup and user-defined invoice format.

Contact: Log Computer Systems, 804 Brough Road, Near Telephone Bhavan, Erode 638 001. Tel: 74975/71978.

■ The computer division of **Crompton Greaves** has recently diversified into the area of Cad/Cam by launching Sun-Sparc compatible workstations that are suitable for various Cad and business applications. These clones are available at 40% of the price of the Sun-Sparc workstation and offer 100% binary compatibility with Sun-Sparc. The user has access to an ever-increasing range of over 3,800.

Contact: Crompton Greaves, computer division, Vandna, 11 Tolstoy Marg, New Delhi 110 001. Tel: 3315071/75. Fax: 011 3324360.

HAPPENINGS

■ **Mastek,** the primary distributor for Ingres RDBMS in India, has secured a major order from the Industrial Development Bank of India (IDBI). The order, worth more than Rs 1.5 crore for the RDMS alone, is part of a World Bank package to enable IDBI to undertake total computerisation of its operations.

IDBI has strategically chosen Ingres RDBMS as their platform along with other office automation software products. Digital Equipment Corp (DEC) of the US is supplying the hardware. This is by far the largest Ingres order in the country to date.

FORGING AHEAD

Restile has got off the blocks in good shape

In an industry that is witnessing overcapacity, can a johnny-come-lately hope to floor customers? Yes, if one goes by the claims of the management of the Hyderabad-based ceramic tile maker Restile Ceramics. Says managing director V. Padmakar: "Our tile is different from the stuff manufactured by others in the business." He adds: "Normally, a tile has a glaze top which is a protective layer, below which is the essential substance. The Restile tile is a monolithic body with a rocklike formation, as a result of which the entire tile is protective."

The executives at Restile talk excitedly of ceramic vitrification — a process that yields homogeneous tiles which have a water absorption level of 0.05% as against 5-6% for other ceramic tiles. The Restile tile's main product advantage, however, is its resistance to scratches. "Most ceramic tiles wear out if you subject the surface to regular use," explains finance manager K. Umapathy Rao. "This is best seen in certain hotels and restaurants where the aisle floors appear worn out because of constant use. This is not so with the Restile tile. On a hardness scale where diamond is 10, the Restile surface scores a highly impressive 8. Natural granite rates a 6 whereas a normal glazed tile registers only 4. The best part is that our polished tile can pass off for natural granite and is 40-50% cheaper."

There is another major advantage which Restile enjoys over its ceramic cousins. A technical difference (Restile's tiles are polished, not glazed) makes it eligible for a lower excise impost of 11.5% as against 53.5% for ceramic tiles. Result: it is more price-competitive. As per a preliminary strategy, Restile intended to price its unpolished tiles in the range of Rs 18-45 per sq ft as against the Rs 15-35 per sq ft range of other ceramic tile makers. Polished tile prices were intended to be in the Rs 50-80 per sq ft price range before the input cost escalations forced Restile to effect a price increase.

Heartening feature. The heartening feature is that though not even a year has passed since the company has gone into commercial production (kickoff date: September 1991), it has been successful in passing cost increases to consumers. Not just that, demand far outstrips supply; the company is taking 100% advances from its customers and Restile sales executives openly admit that the current installed capacity of the company (6 lakh sq m per annum) is insufficient for servicing enquiries.



PADMAKAR: *Polish advantage*

Says Padmakar: "We already have a domestic orderbook of a couple of lakh sq m which should take care of 3-4 months' production. These orders include Hotel Windsor Manor (Bangalore) Hotel Sea Rock (Bombay), Maurya Sheraton (Delhi), Hotel Trident (Madras), Hotel Novotel (Agra) and Hotel Sea Pearl (Vizag)." Add to this a whopping order (of 3 lakh sq m) for resurfacing all the International Airports Authority of India (IAAI) airports of the country; surfacing the metro underground platforms in Calcutta (50,000 sq m) and resurfacing HMT showrooms all over the country (1 lakh sq m) and you will get a fair idea of why Restile is itching to import a second kiln and expand right away. "The best thing is that we are getting repeat orders," says Restile marketing chief S. Ghosh. "The Maurya chain placed an order in Bangalore and followed it up with an order in Bombay. This was most satisfying."

The planners at Restile are mulling over how quickly they can double installed capacity to 12 lakh sq m per annum. The initial project cost was around Rs 17 crore, while the expansion is expected to cost an additional Rs 8-10 crore. "By the end of 1992, we should begin work on installation and be on stream by the middle of 1993," says Padmakar.

To add to Restile's product quality and sales breakthrough has been an unexpected bonus in the form of concessional import duty for its polishing line machinery. The capital goods equipment was held up at port for over a month. In the meantime, the Union budget slashed the import tariff on machinery of its kind from 80% to a mere 25%. Result: a windfall of Rs 1 crore.

Against this, Restile would need to export tiles worth $2.5 million. Going by its initial feelers in overseas markets, Restile does not think it should be too much of a bother. "First, take into account that we have no import content and that the market rate of the dollar after the recent budget will only help make our product internationally competitive," says Padmakar. "Two, our project cost per tonne is low because of the custom duties saving. Three, we already made a successful trial order to the UK of 600 sq m. By the end of May we expect to finalise exports of 100 containers per year to the United Arab Emirates. To top it, we are in the process of shipping orders to Japan."

Restile seems to have got off the blocks in good shape. The company registered a cash profit in its first six months of production. Net sales for 1992-93 are projected at Rs 20 crore, the operating profit margin expected is a whopping 50% and cash flow around Rs 7 crore. Its equity capital: Rs 9.3 crore. The recently-listed Restile equity was quoted at around Rs 35 in the third week of May 1992.

□ Mudar Patherya

CEMENT SCRIPS: TREAD CAREFULLY

By RAAMDEO AGRAWAL



The inclusion of cement shares in one's portfolio has to be done with great care, what with prices at the levels they are

The stockmarkets have undoubtedly got the heebie-jeebies thanks to the Harshad Mehta factor, the spillover effect of which is also being felt by banks. The general public's faith in the government's ability to handle the nation's scam-hit banking sector and regulate it has been shaken. The extent of the fraud and its implication on the bourses was undetermined until now. The downslide of the stock indices to 'realistic' levels will be painful particularly for the people who are new in the game and cannot absorb losses.

Amongst various industries, cement has been the darling of most punters in the stockmarket. The dramatic turnaround it made following price decontrol in 1989 transformed the once-repulsive cement shares into the most-sought-after scrips. Not only that, any company which was active in anything even vaguely related to cement, was chased as a hot buy. This has created problems as the Bombay stock exchange sensitive index (BSE Sensex) has become most susceptible to price movements in cement shares. Originally, only ACC represented the interests of the cement sector in the Sensex. But by 1990 there were as many as six companies — Century, Grasim, Indian Rayon, Larsen & Toubro and ACC — which were churning out a significant portion of their profits from cement. Once Tata Steel also starts its cement plant, the weightage in the Sensex will go up further.

It was in 1989-90 that the foundation for a sustained recovery was laid. 1990-91 started the boom and all cement companies declared good profits, and since it was the first good year after a bad patch of six-seven years there was practically no tax liability. In 1991-92, the industry's performance reached maturity levels with demand and supply matching.

But thanks to the funds crunch, the government went slow on its purchases. Despite this there was strong growth in 1991-92. In the coming year (1992-93) the situation should improve as demand is expected to go up even further. A lot, however, will depend on the monsoon. The industry will also have to keep a wary eye on input costs. These have been on the up, that too quite steeply. Post-budget, costs have gone up on an average by Rs 200 per tonne. But realisations have not kept pace.

The process of stabilisation of cement prices and the incessant increase in costs have led to margins being hammered down during the second half of 1991-92. The initial period of 1992-93 may also not be great as far as profitability is concerned. There are signs of depressed prices in some pockets.

The inclusion of cement shares in one's portfolio has, therefore, to be done with great care what with prices at the levels they are. The runaway boom of yesterday is a thing of the past. Locational advantage, efficiency and the most important factor — growth orientation — will be the keys to spot the solid performers who'll prove winners. Let's take a look at some of them.

ACC: It has always been speculators' first love. Its earning per share (EPS) has raced ahead from Rs 5 in 1989-90 to Rs 216 in 1991-92. Its share prices have acted along the same lines, moving from Rs 128 (in 1989-90) to a high of Rs 12,000 after the 1992 budget. The EPS in the year to March 1992 should be more or less the same due to heavy tax liabilities. However, the current year (1992-93) has started with the disadvantage of increased costs and stagnant realisation. Gross margin which was 23% in April-September 1991 may even come down to around 15%. Sell at around Rs 4,500.

Gujarat Ambuja Cement: It is one of the most aggressive grow-grow and efficient cement companies. The much-talked-about rights issue at Rs 200 per share may not look very attractive to investors in the short term, but for the long term, they should have no fears. It will prove to be a boon of sorts. Plough into the share at a price-earning multiple of 15 as the scrip is a solid long-term investment which you can just lay aside to gather returns.

Madras Cements: It is among the highest-priced cement shares. It has a pretty thick export order book. Besides, input costs have not been rising crazily down south. Finally, it is being talked of as a bonus candidate. Good long-term investment.

India Cements: It has a below-average gross margin. Its capacity utilisation is also low. In contrast, one of its units is producing surplus cement. Sell at current prices.

Jaiprakash Industries: This company may be worth watching at the current level of Rs 120. The stabilisation of its new cement plant and foray into hydroelectric projects should ensure good growth in future.

Shree Cements: A Bangur group outfit which has declared lower profit figures for the second half as against the first half. Disinvest at current prices.

The author is a Bombay-based investment consultant.

FOUR LONG-TERM CHOICES

By CLIFTON DeSILVA



The shares of Peico, Pfizer, Glaxo and Britannia are worth picking up at declines for long-term investment

The author is a Bombay-based investment manager.

The Dutch company Philips was set up more than a hundred years ago in Eindhoven. And it set up shop in India way back in 1930. Since then it has grown into 16 units with four main product divisions — lighting, consumer electronics, professional products and systems and electronic components.

The bulk of the multinational's turnover comes from Europe, followed by the US and Canada. Indian subsidiary **Peico** accounts for a minuscule 1% but considering India's population, the scope for growth is considerable. And that is why parent company Philips N.V. has made clear its commitment to Peico by stating that it has no intention of either diluting or selling its stake in the company even when it was losing money. This confidence seems to have paid off. In 1989-90, Peico made a dramatic turnaround with a net profit of Rs 2.72 crore compared to a loss of Rs 17 crore in the previous year (15 months). The very next year net profit zoomed to Rs 28.70 crore on a turnover of Rs 564 crore and an equity capital of Rs 33.30 crore. The earning per share (EPS) was Rs 8.62 and the company doled out a dividend of 20%.

The long-term outlook for Peico is good. Its shares, which reached a high of Rs 300, are currently quoting at around Rs 190. Pfizer is a company which has put a lot of resources into healthcare research: in 1990, Rs 1,300 crore went towards it and the target for 1991 was Rs 1,500 crore. The benefits of this massive outlay have always been available to **Pfizer** in India, and thus the company has been doing reasonably well. For the year to March 1991, the company recorded a turnover of Rs 199 crore and earned a net profit of Rs 3.50 crore on an equity capital of Rs 11.72 crore. The EPS was Rs 2.98 and a dividend of 20% was paid.

If the new drug policy, expected to be announced soon by the government, is a pragmatic one it will ensure good growth for the industry in general and Pfizer in particular. The Pfizer scrip, which reached a high of Rs 340, is currently being traded at around Rs 150. The shares can be picked up at declines for the long term.

Glaxo was more or less in good health until 1980 when it felt the impact of the Drug (Prices Control) Order, 1979. However, the DPCO, 1987, has eased its burden somewhat.

Last year, Glaxo launched several new products — Salbutamol inhaler for the oral treatment of asthma, Ranitidine injection, an anti-ulcer drug, Zupar, an analgesic tablet and Tenovate-G and Tenovate-M, potent corticosteroid ointments.

Performance-wise, Glaxo has been doing fairly well. For the year ended March 1991, the company recorded gross sales of Rs 410 crore and net sales of Rs 357 crore. Gross profit was Rs 26.30 crore and net profit Rs 10.60 crore on an equity capital of Rs 20 crore. The EPS was Rs 5.30 and a dividend of Rs 2.70 per share was paid.

Glaxo has a healthy book value. On a capital of Rs 20 crore, reserves are Rs 61.30 crore. This translates into a net worth per share of Rs 40.60.

The company has a diversified base. The controls which hampered its growth in the past no longer exist. With the opening up of the Indian economy, parent company Glaxo, like many other multinationals, may up its stake to 51%. The Glaxo scrip, which touched a high of Rs 380, is currently available at Rs 200. The share is worth picking up at declines for long-term investment.

From a modest baking house in Calcutta, **Britannia** has come a long way. It is now the undisputed leader in bakery products with a turnover of Rs 350 crore, and the company plans to take this past the Rs 1,000 crore mark. The conservative company turned aggressive after the takeover of its UK parent Associated Biscuits International Ltd (ABIL), which had a 38% stake in the Indian outfit, by US foods giant RJR Nabisco. It got a further boost with the entry of Rajan Pillai who took over ABIL. Today the BSN group of France holds a 50% stake in ABIL. BSN is France's largest food company and next only to Unilever and Nestle globally.

Britannia proposes to launch a variety of new products, banking on BSN's strengths and technology. This has given the company enough confidence to aim for a turnover target of Rs 1,000 crore in the next four years.

For the year ended March 1991, Britannia recorded a turnover of Rs 362 crore and a net profit of Rs 10 crore on a capital of Rs 18.57 crore. The EPS was Rs 5.41 and dividend 29%. After touching a high of Rs 550, the Britannia shares are quoting at Rs 300. The scrip is good for long-term investment at declines.

THE 'BIG BANG' SCHEME

By M.D. MUKHI



GICMF's Big Value scheme offers safety and easy liquidity

General Insurance Corp Mutual Fund's (GICMF's) Big Value is a well designed growth scheme with the primary objective of generating high income and appreciating capital. It is a five-year close-ended scheme offering an attractive index-linked return along with safety and easy liquidity.

The units have a face value of Rs 10 each. Applications have to be for a minimum amount of Rs 5,000 and in multiples of Rs 1,000 thereafter. There is no limit on the maximum amount.

Applications can be made by resident adult individuals (singly or jointly), minors through parents/guardians, Hindu undivided families (HUFs), companies, bodies corporate, trusts, associations of persons, bodies of individuals and societies. Non-resident Indians (NRIs), foreign nationals and partnership firms are not eligible.

Religious and charitable trusts are eligible to invest and get tax benefits under s.11(5) of the Income Tax Act (ITA), 1961, subject to the approval of the charity commissioner, wherever required. In the case of HUFs, the *karta* will sign on behalf of the HUF and all refunds and payments will be made payable in his name. Joint ownership with minors is not permitted.

Big Value offers two options to the prospective investors. Under Option I, quarterly dividend of 15% per annum (pa) will be paid by post-dated dividend warrants. A person investing Rs 10,000 will get a minimum, assured return of Rs 375 every quarter.

Under Option II, which is in the nature of a cumulative deposit scheme, every Rs 10,000 invested will grow into Rs 20,882 at the end of the scheme.

Unitholders under both options will have the additional benefit of earning higher returns with the upward movement of the Bombay stock exchange national index (NI) of equity prices. Thus, while the investors in the scheme are assured of the minimum return irrespective of the downward movement of stock prices, for every 100-point rise in the NI, GICMF will pay 1% pa more subject to the maximum of 5% pa. This additional dividend in the case of Option I and the additional bonus units in the case of Option II will be distributed/issued annually from 30 June, 1993.

Depending on the overall performance of the fund under this scheme, further extra dividend will be distributed in the case of Option I and extra bonus units will be issued in the case of Option II at appropriate intervals to be decided by the trustees.

The following tax benefits are available to the first-named unitholder under the scheme:

- Dividend income from the units, along with other specified income, will be exempt from income tax up to Rs 7,000 under s.80L of ITA, 1961.
- Under s.48 of ITA, 1961, those holding units under the scheme for a continuous period of over three years can claim benefit under capital gains tax. Long-term capital gains will be taxed at 20% for individuals and HUFs, 30% for firms, associations of persons, bodies of individuals and others, and 40% for companies.
- Investments in units under the scheme will be totally exempt from wealth tax.
- There will be no deduction of tax at source for unitholders.

The fringe benefits offered to the investors are as exciting as the scheme itself. All unitholders who are resident adult individuals investing in the scheme will be eligible to apply for a Citibank card at a special rebate in card fees, giving the unitholder saving of between Rs 250 and Rs 450 depending on the amount invested. Along with the card, the investor automatically gets a free accident insurance cover of up to Rs 4 lakh. Units will be listed on one or more stock exchanges before 31 March 1993.

GICMF Big Value will stand terminated on 30 June 1997. Funds mobilised under the scheme will mainly be invested in shares, debentures and other eligible money market instruments. The scheme combines several innovative and high-value features for the first time. The major plus points of the scheme are: medium term of five years, total capital security, minimum assured return of 15% pa on a quarterly basis, higher possible return through linkage with the share price index, easy liquidity, a variety of fringe benefits and listing on the stock exchanges. Subject to economic and capital market conditions, investors in this scheme can expect a rewarding overall return.

Though the scheme closes on 24 June 1992, there is incentive for all those who subscribe before 9 June. All applicants are assured of full allotment.

The author is a Bombay-based investment consultant.

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Speed Options:
High Speed Ditigal Leased Line can have any of 64, 128, 256, 512, 1024 or 2048 KBPS speed options.

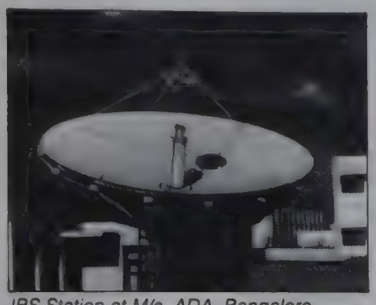
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2. For any other location in India, a flat charge of Rs. 24 lakhs per year.
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1024 KBPS	8.0
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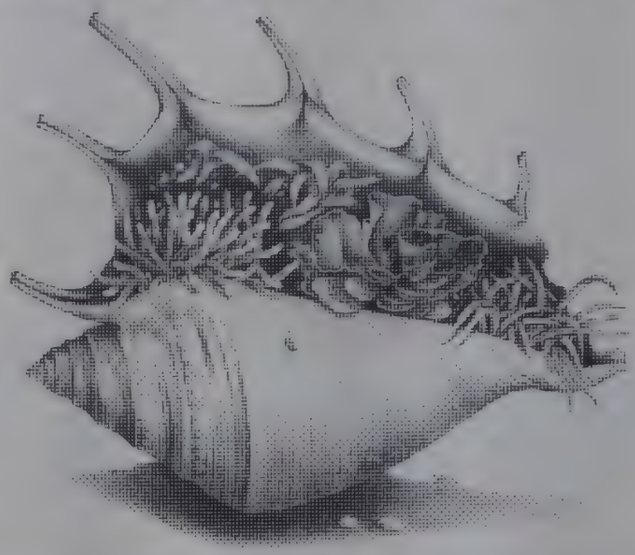
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ISSUES & PROMOTERS



He's cheery about terry towels. Maheshkumar Goenka, chairman of the Rs 50 crore Texport group, is implementing a 100% export-oriented terry towel project, Texport Textiles Ltd (TTL). Says Goenka: "We intend to cater to the higher segment of society, which will fetch us a sizeable return. " And to prevent any snafus in marketing, TTL has entered into a three-year tieup with Multi National Trading Co of the US under which the latter will market its products. TTL has orders worth Rs 2.85 crore in hand.

The Rs 5 crore project is expected to begin commercial production from July. To part-finance it, TTL is entering the capital market in July with an at-par equity issue of Rs 3.40 crore.



He's hoping to leave an imprint in the corporate world. Ajoy Bhandari's Nortech India Ltd (NIL) is involved in repro-imprinting of various substrates, including ceramic tiles, wood, and medium density fibre boards. Bhandari now intends to implement a project for surface enhancement through the transfer repro-imprinting process, The process will help NIL improve on its work. Its surfaces have wide applications in the field of interiors and in the building and construction industry.

Says Bhandari: "The surfaces have already become a rage in Calcutta. Besides having great flexibility, they have a value addition of 70%."

Maharashtra-based NIL has also tied up with Nortech Chemic GmbH, Germany, for equity participation of Rs 25.50 lakh, which has also agreed to buy back 15% of the total production.

To part-finance the Rs 10.10 crore project, the company is entering the capital market in July with an at-par equity issue of Rs 1.83 crore.



Ajit Kumar has a sweet tooth for salt. His Supplementary Foods (India) Ltd (SFIL) will manufacture different varieties of salt for industrial and commercial use.

Says Kumar: "Against the available market size of 47 lakh tonnes per annum (tpa), our production of 18,000 tpa is just 1% of the total requirement. We plan to raise our production to 44,000 tpa by 1995-96."

SFIL's plant at Tarapur in Thane district of Maharashtra began commercial production in May and is currently operating at 65% of its capacity. The company has worked out a deal to export 6,000 tpa of refined iodised salt to a west Asian country.

SFIL is entering the capital market in August with an at-par equity issue of Rs 1.86 crore.



Bombay-based Pawan Kumar Lohia was just a textile dealer when he chose to foray into manufacturing by forming Lohia Polyester Ltd (LPL). And having established itself, LPL now plans to expand its capacity for the manufacture of polyester filament yarn (PFY) and texturised yarn to 1,350 tpa by installing a Japanese Himson-Teijin Seiki DT machine, along with other texturising and twisting machines.

Says Lohia: "The proposed plant will be located at Kim in Surat district of Gujarat. As it is only 30 km from Surat, all essential facilities like transport, power, water and labour will be easily available. And the raw material, partially-oriented yarn, is available locally. Besides, no technological fee has been given to the Japanese firm."

To part-finance the Rs 6.80 crore expansion programme, LPL is entering the capital market with an at-par equity issue of Rs 3.60 crore.



Another textile manufacturer is taking advantage of the devaluation of the rupee to boost its exports. Delhi-based Season Textiles Ltd (STL), which makes high quality premium furnishing fabrics, now plans to increase its production capacity from 5.8 lakh metres per annum (pa) to 9.7 lakh metres pa to meet its export requirements.

Says STL managing director Inderjeet Singh Wadhwa: "As part of our plans to increase our company's exports, we are opening our own trading wing in Dubai. As Dubai is a free port, we will be able to cover the entire west Asian region." The company is installing 6 looms at its site at Noida in Ghaziabad district of Uttar Pradesh. STL has already bagged export orders worth Rs 3 crore and orders worth Rs 2.50 crore are in their final stage of negotiation.

To part-finance the Rs 8.10 crore expansion programme, STL is entering the capital market in July with an at-par equity issue of Rs 3.78 crore.



The publicity-shy Rs 100 crore Neco group, headed by B.L. Shaw, has decided that it's time to come into the limelight once again. The group's closely-held company, Jayaswals Neco Ltd (JNL), is seeking to widen its shareholder base.

JNL manufactures 25,000 tpa of cast iron soil/rain water pipes and sleeper and bearing plates. To cater to the burgeoning demand, JNL is setting up another unit at Ruikhairy in Nagpur district for the manufacture of 12,000 tpa of cast iron pipes, 8,000 tpa of pipe fittings and 7,000 tpa of castings.

To part-finance the Rs 23.53 crore project, JNL is entering the capital market on 15 July with 15%, 6 lakh fully-convertible debentures (FCDs) of Rs 12 crore. Each FCD, with a face value of Rs 200, will consist of two parts. Part A of Rs 40 will be converted into one equity share of Rs 10 at a premium of Rs 30, while Part B of Rs 160 will be converted into two shares of Rs 10 at a premium to be decided later.



If it weren't for the financial institutions' timely intervention a few years ago, AAAC (all aluminium alloy conductor) maker Galada Continuous Castings Ltd (GCCL) would probably have been a gone case. Today, however, things are different and GCCL managing director D.C. Galada is talking of expansion and modernisation.

Says he: "Till 1981, GCCL was a profit-making unit, but the 1982 recession in the aluminium industry hit us hard. We had reached such a sorry state that we had to sell some of our products at a discount, just to pay our creditors." All that is now history. The rupee devaluation has given a fresh fillip to the company. It now plans to raise the capacity of AAAC from 2,500 tpa to 3,100 tpa.

To part-finance the expansion programme, GCCL is entering the capital market in July with an at-par rights (1:1) issue aggregating Rs 99 lakh.



A textile engineer by profession, Amrut Shah started manufacturing blended fabrics by setting up Hytone Synthetics Ltd (HSL). Today, HSL has metamorphosed into a Rs 20 crore turnover operation.

Says Shah: "The most significant point we have achieved is that our products, sold under the brandname Hytone, now command a good premium in the textile market. Today we have nearly 5,000 marketing outlets all over the country."

So far confined to blended fabrics, HSL now intends to enter the worsted suitings market. For this, it plans to install 24 projectile weaving machines.

To part-finance the project, HSL is entering the capital market in July with an at-par equity issue of Rs 4.50 crore.

BLUE-CHIPS IN A BEAR MARKET

What an investor should do when the stockmarket is down.

Investors are never going to forget May 1992. In that single month, the stockmarket got such a pummelling that poof! — a hefty chunk of their holdings evaporated into nothing. And from then onwards with the exception of a few ups, it's been down, down all the way. And the doomsayers are warning of worse times ahead. The securities scam and the crackdown on stockbrokers are making the bourses and investors jittery. In such a scenario what is the common investor — who picked up artificially-inflated shares — expected to do?

If they're blue-chips; hold on and don't sell, says Bombay-based stockbroking firm Dalal & Broacha proprietor Priyakant Dalal. "Investors are bound to get returns within two years. If one sells, one will lose on two counts." He explains: "First, scrips are being discounted 50%. Then an investor will get his payment after two months; after cutting brokerage he will land up with an average of one-fourth the amount he invested."

According to him, this is the ideal time to pick up blue-chips. Investors could either buy them directly or swap their 'B' group shares for these scrips. Says he: "The stockmarket is still good for investment purposes. The Bombay stock exchange sensitive index (BSE Sensex) will not fall below the 2,700-mark. Even in a worst-case scenario of a bad monsoon, the Sensex will not dip below 2,200." His pet scrips: ICICI, HDFC, Amforge Industries, Cochin Refineries, Amtrex Appliances, Restile Ceramics, DCW, ITC, Larsen & Toubro, Jaiprakash Industries and Enkay Texo.

CHOKSEY: *Favours phased buying*



Parag Parikh of Empeegee Portfolio Management Services is of the view that those who have bought shares at higher levels should not be clubbed as investors, but as fly-by-night operators. Says he: "How can they be clubbed as investors, when they thought it prudent to buy ACC at Rs 8,000 or Rs 10,000? Had they not looked into the fundamentals of the scrip? And if they hadn't, they don't deserve any mercy." Regarding those who have bought at higher levels, Parikh says: "It all depends on the kind of shares they have bought. Those who have invested in fundamentally sound companies should not worry."



PARIKH: *For select scrips*

Parikh believes the next bull run will take place only after a year. "This will be even longer than the one we've witnessed," says he. Those who have bought at higher levels can sell their shares then, he says. However he adds: "If one has bought shares of any company in which Harshad Mehta was involved, say Mazda Industries, there is no use keeping them as in the long run a good return cannot be expected."

Like Dalal, Parikh also believes this is a good time to buy blue-chips. He doesn't specify which ones, though.

BSE board member K. Choksey says: "There is no need to panic. The situation is not as dangerous as is being made out. Besides, this is a chance for those who were left out of the boom to buy some blue-chips."

Choksey cautions that investments in blue-chips should be done in a phased manner. "For instance, if one wants to buy 1,000 shares of Wartsila Diesel one should first buy 400 shares when the market reaches 2,900 and the rest when it goes down further. Phasing out buying will help one in future." The shares he recommends include GNFC, GSFC, Grasim, ACC, Indo-Gulf Fertiliser, Britannia Industries, Nestle India, Kirloskar Cummins, Wartsila Diesel and Alfa-Laval India.

Manoj Murarka, a Bombay-based investment analyst, feels the investor's approach should depend on the scrips he is holding. Says he: "If he has got speculative scrips like Mazda, he should sell them at whatever price possible; book the loss and forget about it. This will be the price that he will have to pay for not following the basic rules. If he has fundamentally-strong shares, he can hold on to them."

On the present situation on the bourses, he says that "had it not been for the financial institutions (FIs) who are buying daily, the market would have gone down by nearly 500 points. The prices that are being quoted are artificially pegged at the current level. If the FIs don't buy for one day, the bottom will fall out of the market."

Murarka says one should buy shares that are being traded below a cash multiple: of 15 for Fera companies and 7 for non-Fera outfits. For long-term investment, he prescribes ICI India, Raasi Cement, Bharat Seats, Asahi India, Jay Bharat Maruti, Stencil Apparels, Nova Electronics and 20th Century Finance.

BSE broker Kamlesh Shah believes that investors should stay away from the secondary market for the next six months and that fresh investments should be made only in new at-par issues. This is because these shares are now available at their face value, and are bound to appreciate to a certain level.

For once, brokers are in consensus that the market will not go up for the next six months and that the next bull run will take place only after a year. Those who have bought shares at higher levels, they feel, have to bear the agony of either having to book losses or hold on to them, praying for the bull phase to arrive quickly.

□ Jiten Mehta





We've learnt

our most valuable lessons in

some unexpected places.

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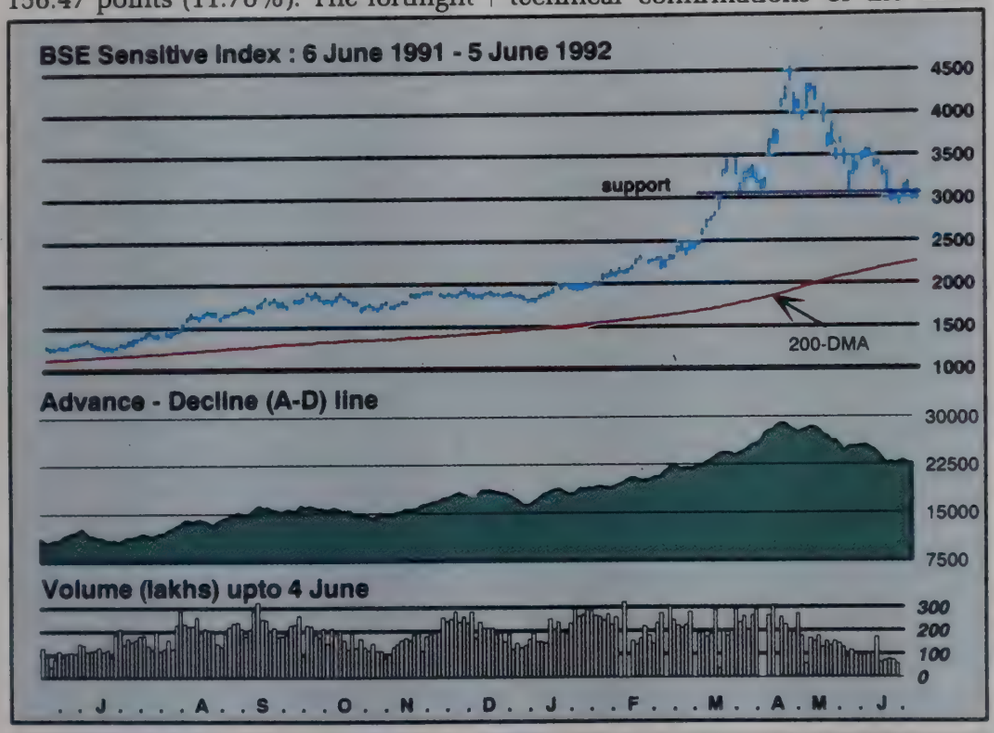
A PHASE OF UNCERTAINTY

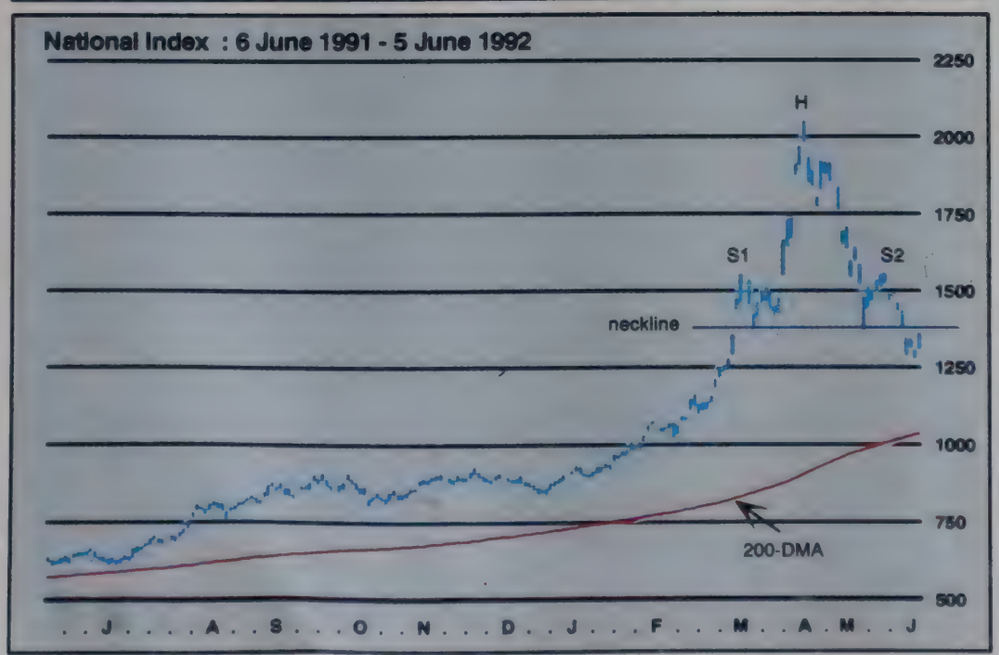
By DEEPAK MOHONI



At the end of a fortnight in which banks appeared to be as risky as the stockmarket, the Bombay stock exchange sensitive index (BSE Sensex) declined from its 22 May close of 3,435.07 to 3,086.74 on 5 June, a loss of 348.33 points (11.59%), while its 100-share counterpart — the national index (NI) — dropped from 1,495.88 to 1,339.41, a decline of 156.47 points (11.76%). The fortnight was dominated by the securities scam, and investors refused to be lured into the market by either technically or fundamentally tempting possibilities. Trading volumes were wafer-thin, and the market remained open on all the 10 working days, a very unusual event in recent times.

The NI completed a bearish head-and-shoulders pattern, with the usual technical confirmations of the three per cent rule and the two-day away rule. The two shoulders are marked as S1 and S2 in the chart, and the head as H. The neckline is at an index level of 1,380. The closing value of the index at the top of the head is 1,991.11, a distance of 611 points from the neckline. Projecting the same distance downwards, the index would be expected to fall to about 770 points.





The Sensex could follow suit, with a minimum downside target of 1,800 based on closing values. To do so, the index would have to drop below the line marked with the legend "support" in the chart, with a three per cent confirmation, which would happen if it closed below 2,975. The Sensex has so far held out above the line. The most important Sensex stocks, too, have been managing to hang on just above or at significant support levels. These levels are at Rs 385 for Tisco, Rs 450 for ITC, Rs 275 for Reliance, Rs 300 for Levers, Rs 375 for Telco and Rs 7,000 for Century.

If the NI is to fall to its downside target of 770 points, the head-and-shoulders pattern on the Sensex would definitely be expected to take place. For the pattern to fail on the NI, the 100-share index would have to close above 1,400. A failure of the pattern would not be altogether surprising. The trading rules were changed all the time while the formation was taking place. In the beginning, all forward trades were banned, then only short-selling was allowed, to be followed by a phase where all forward trades were allowed once again, and finally short-sales were banned.

There have to be considerable doubts about the validity of any formation when the marketplace keeps changing, thanks to the exchange authorities' efforts — which are rather like the tail trying to wag the dog.

TECHNICAL ANALYSIS

Another reason to believe that the formation would fail is that most stocks still have sharply rising 200-day moving averages (200-DMAs). The slump in the market has brought the prices of many stocks right down to these 200-DMA lines. The 200-DMA school of thought would have this as the right time for the market to rebound. The 200-DMA for the Sensex is 2,256.90, and that for the NI is 1,045.31.

NO SIGNAL

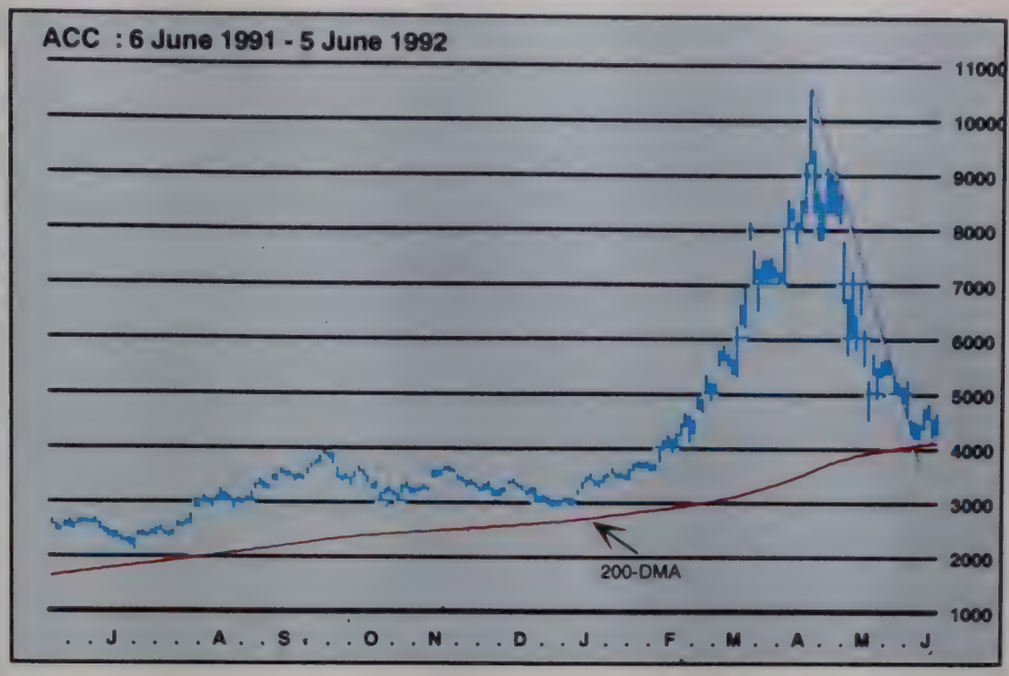
The advance-decline (A-D) line has receded to almost exactly the same level it was at when the Sensex last traded at its current value. The advance-decline line occassionally anticipates a reversal before the event, by showing a divergence with the indices. However, the absence of such a divergence does not imply that a reversal will not take place. At the moment, all that can be said is that the A-D line has not signalled anything significant.

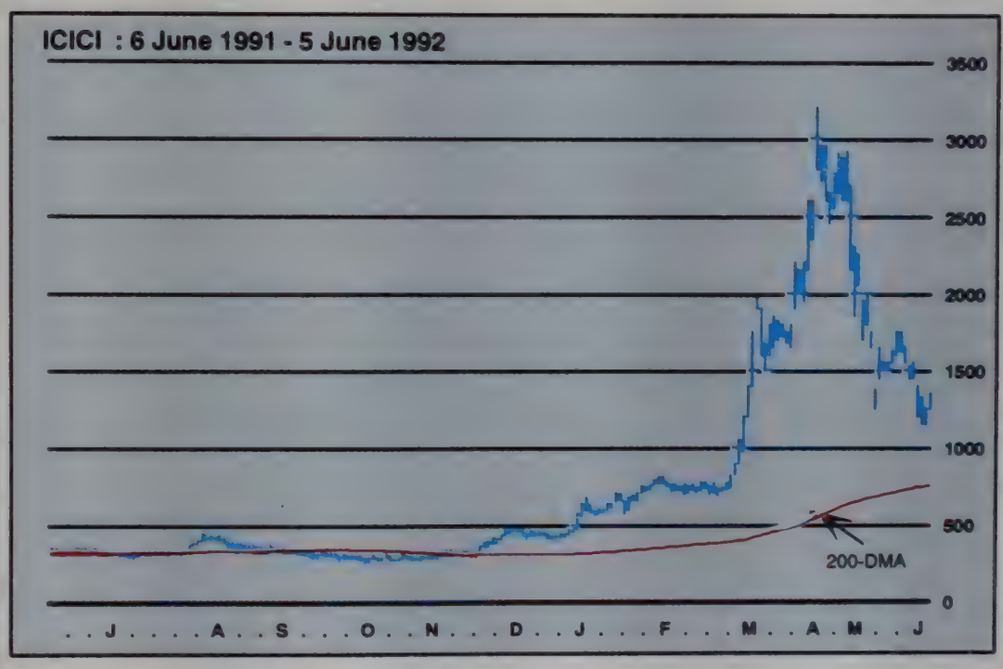
Badla trading took place on 29 May, and as expected, rates were on the high side, at between 60-72% per annum. This was an obvious fallout of the scam of the century, as those with money to spare are displaying reluctance to put their money in banks, let alone *badla* finance.

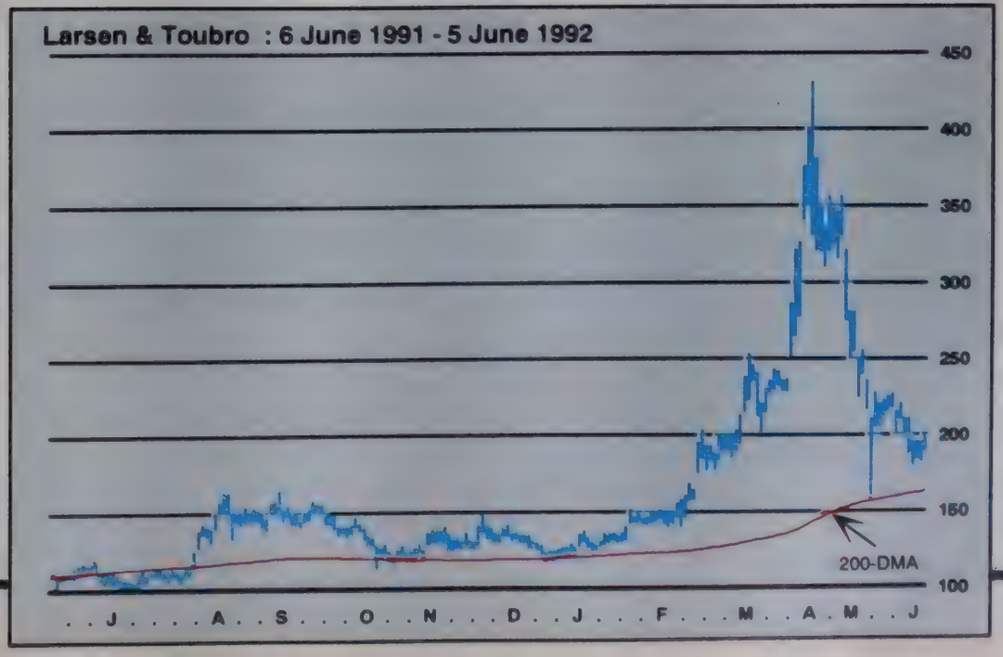
As mentioned, several stocks have receded to their 200-DMAs and could bounce back from here, unless the entire market goes into a long-term bear phase. Three of several specified group stocks which have done so are **ACC**, **ICICI** and **Larsen & Toubro**. Their 200-DMAs are Rs 4,111.93, Rs 779.43 and Rs 164.66 respectively.

To sum up, we are in a state where the market is either poised to recover, or go into a long-term decline (a change in the major trend). A failure of the head-and-shoulders formation in the NI, which would occur if the index clambers above 1,400 would be a good signal to suggest a market recovery, while a breakdown below the support levels given for the leading Sensex stocks would mean harsher times ahead.

• *The author runs Smartcharts, which offers chart services and technical analysis research.*







BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 21 July 1992.

Attention is drawn to the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.
2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.
3. Investments in debentures or securities other than equity shares are not permitted.
4. No investment can be made in scrips in which there has been no trading on the reference date for investment (7 July 1992 for Contest No 22).
5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).
6. The maximum amount investible in any one scrip is Rs 50,000.
7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 7 July 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.
8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 21 August 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.
9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.
10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 6% per annum.
11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stockmarkets.)
12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 22, the last date for the receipt of entries is 21 July 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 22 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**
13. In case of a tie, the money will be divided equally among the winners.
14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.
15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.
16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 16

FIRST PRIZE (Rs 2,500)

ROSEMARY PINTO

Pinto's portfolio appreciated to Rs 1,76,350.63

SECOND PRIZE (Rs 1,250 each)

VARSHA ATHALYE & VILAS JOSHI

Athalye & Joshi's portfolios appreciated to Rs 1,43,500

The broker-Securities & Exchange Board of India standoff in April had a fallout on our investor contest too. With no trading on 14 April, contestants naturally opted for 22 April as the reference date for investment as it was the first day when activity on the stock exchange recommenced.

And in a downward-moving market, the three winners opted for Ras Resorts which appreciated 55.56%. Pinto breasted the tape first as she betted on Suryamukhi Trading which zoomed ahead 100%. Athalye and Joshi tied for the second spot as they had identical portfolios with Victoria (up 33%) and Nicco Batteries (no appreciation) being their other choices. They share the pooled second and third prizes.

Congrats!

INVESTOR CONTEST NO 22 — ENTRY FORM

Name of scrip	Price on 7 July 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

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COVER STORY





HARSHAD (L) & ASHWIN MEHTA: *At Bombay's Azad Maidan police station*

CRACKDOWN

More arrests may be in the offing, as also a new supervisory body for the financial markets.

The nation had never seen anything like this in recent years: a deputy managing director of the State Bank of India (SBI) arrested; one of the biggest stock and securities brokers thrown into jail along with his brothers; a host of other junior officials of public sector banks and agencies left cooling their heels in gaol.

As the government moved swiftly to crack down on the Rs 3,078.63 crore financial scandal involving broker Harshad Mehta last fortnight, it was clear that more arrests were in the offing. Says a source close to the Central Bureau of Investigation (CBI): "The first information report (FIR) will be expanded later, or fresh FIRs issued, against other brokers and banks." Some possible targets: officials at Uco Bank, the now liquidated Bank of Karad, and at ANZ Grindlays Bank, though the last is a remote possibility, he said, because the government may not wish to take such drastic steps when a foreign bank is involved. A leading Bombay-based broker whose name has been linked with the scandal could also be arrested.

In New Delhi, meanwhile, a high finance ministry functionary explains the official response: "We've been caught with our pants down. We want to show that our response is quick and efficient, and want to show this before parliament meets. The idea is to see that everyone guilty is nabbed quickly, even if harsh action is taken. Manmohan Singh is clear on this." That perhaps explains why the government pushed through an ordinance to seize the assets of all involved in the scam.

Even as opposition parties demanded the head of Reserve Bank of India (RBI) governor S. Venkitaramanan, the finance ministry bureaucrat said that the governor was not going — yet. In the governor's defence, he said that Venkitaramanan's attention had been focused on the foreign exchange problem. But, he added, the RBI would be stripped of its responsibility to regulate the financial markets — a separate regulatory body would be set up and assigned this function, with the RBI

confined to broader policy issues. (The agency will be separate from a corporation on the lines of the Stock Holding Corp that is in the works.)

The official also said that the government planned a major review of the financial system, which would deal with questions such as why a public sector bank like SBI and a foreign bank such as ANZ Grindlays made the same kind of mistakes. "The Janakiraman report will define the parameters of the crisis," he added.

Last fortnight, the six-member RBI committee headed by RBI deputy governor R. Janakiraman submitted its first interim report to the government. Said the committee's member secretary Vimala Visvanathan, who's also an executive director at the central bank: "The committee will submit to the government two more reports by June-end: one on the role of foreign banks, and the other on how Harshad Mehta used the system for his own ends."

Late in the fortnight, the government also set up a committee headed by Industrial Development Bank of India (IDBI) chairman S.S. Nadkarni to look into the trading of public sector bonds and units.

The CBI, meanwhile, swung into action on another front and began examining the system of so-called "badla" financing (when shares are not taken delivery of on settlement day in the stockmarkets, a fee called "badla" is levied). Some CBI officials reckon that, apart from Harshad Mehta, some 80 brokers, including members of a bear cartel in Bombay, have drained money out of security market operations into lucrative "badla" financing. According to one official, a lot of Standard Chartered's money went into the stockmarkets. He maintained that Standard Chartered issued bankers' cheques to the Bank of Karad against the latter's false bankers' receipts (BRs). The money was then handled, he claimed, by broker Abhay D. Narottam, who he believes was a conduit and front for another leading broker in Bombay.

That could suggest that official investigations are increasingly focusing on the Bank of Karad and on brokers who have links with the small Maharashtra-based bank. Indeed, sources believe that if any such investigation is successful, it could blow the lid off a scandal that will make the Harshad Mehta episode look like small beer. Nevertheless, the official was quick to caution that the bear cartel's operations were exceedingly subtle, and success could elude the investigating agency. When asked by reporters whether any FIR had been filed in connection with the Bank of Karad, CBI joint director K. Madhavan replied: "So far no, but I cannot say anything further. I am only a government servant doing the brief the government has asked me to do."

Predictably, the RBI liquidated the Bank of Karad, sparking off a run on the bank. The central bank also appointed an administrator for the small Metropolitan Cooperative Bank (where too, depositors withdrew nearly Rs 50 lakh in two days), after it was discovered that the bank had issued about 30 BRs worth Rs 1,944.51 crore in favour of the Bank of Karad and Standard Chartered Bank. The transactions took place between 25 March 1991 and 5 May 1992 on behalf of Excel & Co and Dhanraj Mills (owned by T.B. Ruia). Metropolitan Bank's former managing director K. Kapadia admitted to journalists that the bank was used as a "commissioning agent."

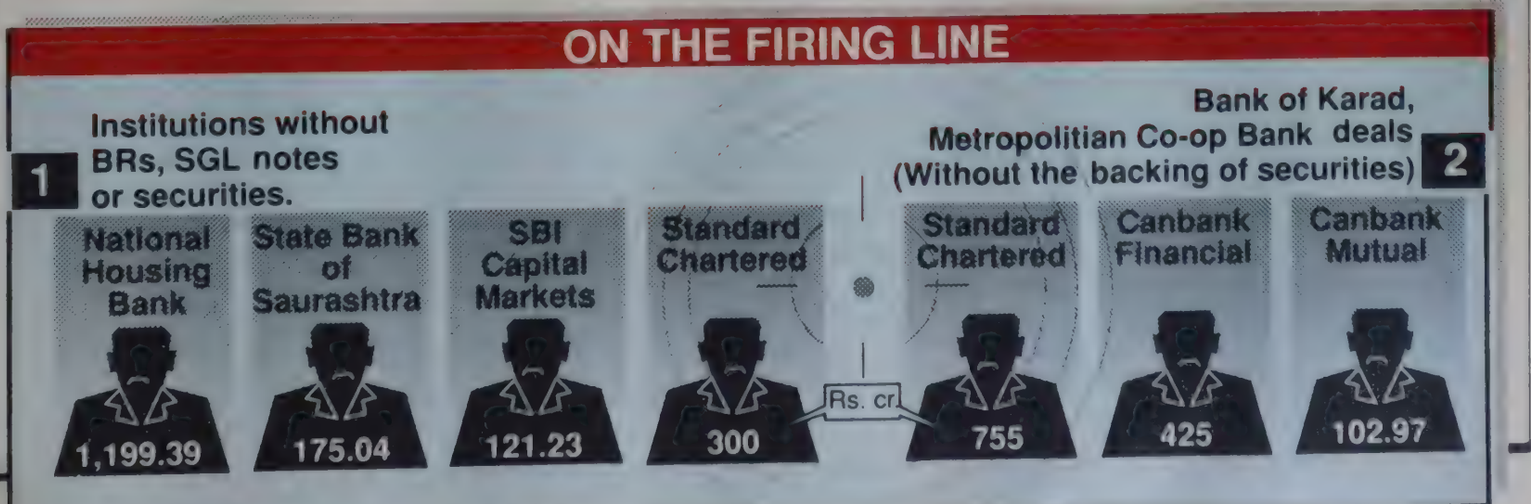
These were not the only dramatic developments in a fortnight marked by high drama. On Monday, 8 June, the governing board of the Bombay stock exchange (BSE) was

CRIME AND PUNISHMENT

Harshad Mehta and the nine others arrested by the CBI have been charged under a slew of sections of the Indian Penal Code (IPC). A look at what some of these sections deal with:

- **Section 409**: Relates to criminal breach of trust by a public servant, banker, merchant or agent (broker). If convicted, the accused face 10 years' imprisonment or life. This is a non-bailable offence.
- **Section 420**: Relates to cheating and dishonesty by inducing delivery of property (movable or immovable) wrongly. If convicted, the accused face up to seven years in prison and a fine, which the judge decides. This is a non-bailable offence.
- **Section 467**: Relates to forgery of valuable security, wills, etc. The punishment is either 10 years' imprisonment with a fine or life. This is a non-bailable offence.
- **Section 468**: Relates to forgery for the purpose of cheating. If convicted, the accused face imprisonment up to seven years with a fine. This is a non-bailable offence.
- **Section 471**: Relates to misuse of a genuine or forged document. The fine is decided by the judge. This a non-bailable offence.

ON THE FIRING LINE



MURKY DEALS

How the SBI-Mehta nexus worked.

Every weekday, at 11 am sharp, the phone on investment officer R. Sitaraman's table in the securities division of the bank housed in the main branch of the State Bank of India (SBI) on Bombay's Apollo Street would start ringing. It was a network phone — a hotline from the 19th floor securities division head office at the bank's Nariman Point headquarters.

Those routine phone calls, with instructions from the high-powered funds department, headed by deputy managing director C.L. Khemani, were the starting point for the country's biggest financial scandal. Transactions amounting to over Rs 17,000 crore gilt-edged securities were routed through Harshad Mehta over this hotline.

The functioning of the SBI's securities division was highlighted soon after the scam rocked the financial markets, and raised several issues. For instance, the deputy general manager, who heads the branch, had no idea of the security transactions instructions received by Sitaraman, a junior management officer who was promoted from clerical ranks only four years ago. Nor did he know what Sitaraman was doing in connivance with Harshad Mehta or his associates.

Mehta and Sitaraman began their operations on a small scale. Sitaraman would get calls from headquarters, with instructions to buy (or sell) securities through Mehta, and for some of those orders, cheques — or bankers' receipts (BRs) — would be fudged. In other words, though Sitaraman made correct entries in his personal computer, he made out cheques (or BRs) favouring other banks (as per Mehta's instructions).

In its interim report, the Janakiraman committee said that 35.6% of SBI's transactions in securities between April 1991 and end-March 1992 were put through Harshad Mehta, that the remaining deals were put through in the normal course of business, and that for the deals done through Mehta different procedures were followed. Like:

- When SBI entered into contracts with other banks, the names of other banks in the contracts "generally seem to be only in name." The implication: Mehta was playing the securities market (brokers are not supposed to play the market; deals are supposed to be conducted between banks).
- Mehta was allowed to collect and credit in his account cheques meant for SBI; SBI issued cheques on his instructions.

Cheques issued by SBI were



countersigned by two SBI officials — Sitaraman himself, who was authorised to handle the transactions, and the deputy general manager of the division, who checked only the vouchers (again made by Sitaraman) that accompanied the cheques. The latter presumably believed that the junior officer was just carrying out instructions received over the network phone. Soon the scale of operations burgeoned. The rest is history.

The question, of course, is: why did SBI entrust a junior officer with the responsibility of handling transactions that run into thousands of crores of rupees?

While the bank's brass has to answer that, as early as in 1989, when Khemani as chief general manager of the funds management department had already begun spearheading SBI's securities operations, an internal management audit report prepared by a team headed by a deputy managing director of the bank had suggested that, for its investment activities through brokers, SBI should fix a ceiling on the amount of securities that it could transact through an individual broker. The reason cited was that since the bank dealt in very large volumes, undue favours to some brokers could either cause or be a symptom of links between bank officials and brokers.

Curiously, that suggestion was rejected by the funds management department.

The Mehta-SBI nexus is believed to have earlier origins. In 1988-89, when Mehta was still a rising star on Dalal Street, SBI insiders claim to have seen him frequently in the fund management division of the bank boning up on the intricacies of the market.

But there are other inexplicable aspects of the SBI securities operations. Two years ago the bank internally proposed setting up an exclusive branch which would house the entire securities division. SBI also obtained a licence from the RBI for the purpose. But nothing was done. The ground level operations are run from the Bombay main branch, while crucial decisions are taken by the brass on the 19th floor of the Nariman Point headquarters.

Even at the Nariman Point headquarters, the system seemed to have become lax. Though the three-member apex investment committee comprised a managing director and two deputy managing directors (including Khemani), the daily 10 am meetings which it was scheduled to hold had been reduced to discussions over the intercom, with Khemani briefing his two colleagues. Says a senior SBI official: "Khemani had the run of the funds management activities of the bank since 1987-88 and faced no interference from anyone else. He did what he wanted."

scheduled to hear the explanations of leading brokers in Bombay on figuring in the securities scam. Prompted by Securities & Exchange Board of India (Sebi) chairman G.V. Ramakrishna, the BSE had earlier sent show cause notices to many brokers, including Narottam, Bhupen Dalal, Jittu Shroff and Manu Maneklal. The Kanpur stock exchange sent a show cause notice to Hiten Dalal, a member of the exchange who operates from Bombay. And the Calcutta stock exchange was told to seek explanations from two concerns in Calcutta (see box p.100).

RAMAKRISHNA'S MOVE

On 1 June, Ramakrishna called BSE president G.B. Desai, BSE executive director M.R. Mayya and other board members and asked them why they hadn't taken action against brokers. Ramakrishna told *BusinessWorld*: "We keep sending names to the exchanges, and have asked them to look into their books. Apart from these, a few other names have been sent."

Ramakrishna's latest move followed a meeting three brokers (Bhupen Dalal, Shroff and Narottam) had with the BSE's disciplinary committee. Apart from seeking explanations on their involvement in the securities scandal, the committee wanted to know whether they faced major problems. If the CBI ever decides to freeze their bank accounts, as it did in the case of the Mehtas, a major payments crisis could develop on the markets.

At the 29 May meeting, a member of the disciplinary committee said Bhupen Dalal looked "absolutely relaxed" and that questions connected with the Bank of Karad affair should be directed at Narottam (both he and Dalal were directors of the bank). And Shroff denied any wrongdoing. Said the committee member: "Shroff said he just did what the Uco Bank chairman (K. Margabanthu) had asked him to do. Also, since the bank's chairman had requested him, he could not say no." The third broker to be questioned, Narottam, told the committee that he'd done no wrong, and that Bhupen Dalal was to blame for the problems at the Bank of Karad.

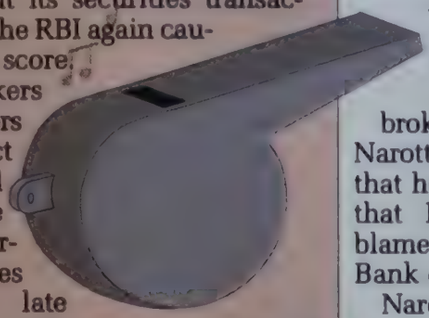
Narottam, says the committee member, looked harried and under intense pressure. He is currently in a Bombay nursing home. According to doctors, he is delirious and keeps muttering to himself.

"The scam has done maximum damage to the stock broking community," said BSE president Govind B. Desai ruefully. "And seeing the way new names are cropping up every day, I will not be surprised to see many brokers losing their BSE membership cards," he added.

Amidst this flurry of activity, the in-

WHO BLEW THE WHISTLE?

The Reserve Bank of India has been obliquely claiming credit for unearthing the scam at the State Bank of India (SBI). Top RBI sources say that the bank had warned SBI last year about its securities transactions. Last March, the RBI again cautioned SBI on this score.



Yet, several bankers and security dealers privately suspect that taxmen tipped off the RBI after the tax raids on Harshad Mehta's homes and offices in late February. The RBI really got wind of the full extent of SBI's problems only after the tipoff, according to this line of thinking.

It turns out that everyone's been barking up the wrong tree, if the Central Bureau of Investigation (CBI) is to be believed. A senior CBI functionary told *BusinessWorld* last fortnight that the Unit Trust of India (UTI) brass warned the RBI of SBI's affairs. A top UTI official rang up the RBI twice and mentioned the problems of SBI, the CBI official said.

GRINDLAYS VS RBI

Is a confrontation on?

Are the Reserve Bank of India (RBI) and ANZ Grindlays on a collision course? On the face of it, no. In a news release last fortnight, Grindlays Bank said that it "does not, nor will it ever seek to, place itself in a confrontation with its regulatory principal in any of the countries it operates in."

Still, the action has been hotting up behind the scenes. Apparently, the RBI has asked the Australian bank to cough up the Rs 405.67 crore (or equivalent securities) paid to it by the National Housing Bank (NHB) and subsequently credited by Grindlays into Harshad Mehta's account. Grindlays has denied that any deal to buy securities from NHB took place at all — and NHB doesn't have any BRs to back its claim that the deal took place.

Grindlays also has an ace up its sleeves: the bank's securities room has a back-up system of telephone recorders. The tapes were played back to RBI inspectors to prove that no transaction with NHB took place.

The bank has apparently sought legal advice from former supreme court judge V.D. Tulzapurkar, and from a Delhi-based lawyer. Bank officials were unavailable for comment, but top CBI sources in the capital said that the bank apparently argued that the RBI was trying to be both judge and jury; it had a vested interest in recovering the money of its subsidiary, NHB.

Last fortnight, however, it looked as if Grindlays, and not the RBI, would have to back down if it wants to continue to operate in India, tape or no tape. Finance ministry officials in New Delhi said that if Grindlays refused to toe the line, the government would withdraw its licence to operate in India.



KHEMANI: *Victim of a witch hunt?*

dividual who triggered all this off was being grilled by the CBI. Most lawyers — and some CBI officials — believe that Harshad Mehta will be released on a hefty bail on 19 June.

The CBI apparently believes it has a strong case against Harshad Mehta, but faces roadblocks. First, Mehta's lawyers are expected to use delaying tactics, appealing to the supreme court on minor matters from the special court set up to try those accused of wrongdoing in the scandal. Second, the very complexity of the deals could stall progress. Finally, the investigative agency is finding it difficult to separate bank deals struck with an eye on personal profits from those entered into to help banks make profits.

The Big Bull, meanwhile, was cowed. As he walked into the CBI office on the third floor of a building in the busy area near Bombay's Victoria Terminus station, Harshad Mehta put his thumb up as a milling crowd of journalists and bystanders watched the man to whose tune share price indices on the country's bourses virtually danced. But after spending the night in jail and eating just a banana and drinking three glasses of water, the Big Bull walked into Bombay's Esplanade Court the next day visibly wilted.

In New Delhi, a top CBI official maintained before the arrest that Mehta had been partying furiously, supremely confident that he wouldn't be arrested. But unknown to Mehta, time was running out for him. On 29 May, the CBI filed an FIR in the capital. Led by joint director K. Madhavan, the CBI also filed an FIR in Bombay on a Thursday last fortnight, and arrested Mehta later that night under a plethora of clauses in the Indian Penal Code (see box). Said Madhavan: "The case was registered secretly as we suspected that the accused would tamper with any evidence that we laid our hands on."

Simultaneously on that day, several posse of CBI men swooped on Harshad Mehta's offices and residences nationwide. And they landed at Mehta's home at Worli in Bombay with a search warrant obtained from special justice N.G. Ghotekar. Mehta, according to CBI men, wasn't terribly cooperative. Asked for the key to a safe in his house, the Big Bull said: "My wife has the key." Wife Jyoti, in turn, said that she'd misplaced it, and didn't remember where she'd kept it. When they opened the safe, they unearthed some very "interesting documents," said a CBI official: "The documents are explosive stuff. Just wait and see."

STOCK BROKERS IN HOT WATER

Several brokers face suspension.

The Securities & Exchange Board of India (Sebi) has asked the Bombay, Kanpur and Calcutta stock exchanges to ask 17 brokers for their books. Some of them have received show cause notices from and replied to the exchanges, and face suspension. The leading brokers in the line of fire include:

■ **BHUPEN CHAMPAKLAL DALAL**: Chairman of Champaklal Investment & Financial Consultancy (Cifco), Bhupen Dalal is a big-time Bombay broker who's been planning to launch a mutual fund. An affable, suave man who's crossed 45, Dalal and son Milan were on the Bank of Karad board till the Reserve Bank of India (RBI) recently forced him to resign. Dalal is reported to have told the Bombay stock exchange's (BSE's) disciplinary committee that he was just a non-executive director, and that any questions on the bank's affairs should be directed at Abhay D. Narottam. But the Janakiraman report says that a number of transactions were put through the bank accounts of Dalal's stockbroking firm Bhupen Champaklal Devidas, and through Narottam's accounts. The BSE may or may not suspend Dalal, but he's expected to be fined at least. Dalal has sought legal opinion, and told *BusinessWorld* the Janakiraman report is riddled with holes.

■ **ABHAY D. NAROTTAM**: Two years ago, Bhupen Dalal's Man Friday split, bought his own BSE card and starting operating in the market. The fortyish Narottam is said to be deeply disturbed by Dalal's finger-pointing, and has been admitted to a Bombay nursing home. Narottam too was on the Bank of Karad board and, according to the Janakiraman report, about Rs 750 crore worth of BRs now outstanding were issued "in the account of" Narottam. Summoned by the BSE to explain his dealings with the bank, Narottam broke down and said he was innocent. To compound

MANU MANEK: *Bank of Karad links?*





ATUL PARIKH: *Roped into the net*

After searching the premises, the sleuths eventually carted Harshad Mehta off in a police jeep to the CBI office. Brothers Ashwin and Hiten (a third brother, Sudhir, escaped the CBI net and has gone underground) and Growmore Leasing & Assets Management Co executives Pankaj V. Shah and Atul Parikh were brought to the office separately in a private Ambassador car.

The Mehtas and Growmore staff members were not the only ones to be rounded up.

Two SBI officials (deputy manager A.N. Bawadekar and junior officer R. Sitaraman) and a National Housing Bank functionary (assistant general manager C. Ravi Kumar) were incarcerated.

Early Friday morning, at 2.30 am, CBI officials arrested SBI deputy managing director Cheddi L. Khemani and NHB assistant manager Suresh Babu at their homes. Contacted by *BusinessWorld* two days before his arrest, Khemani first agreed to an on-record interview but subsequently backed out. A family member came down to the lobby of the multi-storeyed Cuffe Parade building in Bombay where Khemani stays and said that his telephones had been tapped and that the watchmen in the building had been recently changed — suggesting thereby that Khemani was under surveillance.

Certainly, Khemani's arrest set off shock waves at SBI and within the banking community. Newspaper reports suggested that some SBI brass were toying with the idea of resigning in protest, especially since it was followed by CBI officials searching SBI managing director P. Subba Rao's residence (his mother-in-law died of shock after the incident). Said a banker: "I think the government has started a witch hunt. How can you arrest a man who first brought the scam to notice? If he had been party to the scam, he would never have bothered to inform the board." In an off-the-record interview last month, Khemani told *BusinessWorld*: "From the time the scam came to my notice, my primary task was to see that the bank recovered all its dues from Harshad Mehta. In fact, only SBI was able to recover all its dues from Harshad." He blamed junior officers and said they'd been careless. Nonetheless, the CBI may have evidence of wrongdoing, and the courts will now decide Khemani's innocence or guilt. On his first day in court for a CBI remand hearing, Khemani complained of dizziness. A chair was brought to the court room, in which he sat.

his problems, his money is stuck with the Bank of Karad.

■ **HITEN DALAL**: A member of the Kanpur exchange, Dalal operates from an office behind Jeejeebhoy Towers, the BSE building. In his thirties, Hiten Dalal declines to be photographed or quoted by the media. Though no relative of Bhupen Dalal, he's said to be close to Bhupen. Hiten apparently worked in tandem with junior officials at Standard Chartered Bank's treasury division. The Janakiraman report says that BRs (mostly fake) issued by the Bank of Karad and Metropolitan Cooperative Bank were used for transactions with Standard Chartered, Canfina and Canbank Mutual — and that Hiten was the broker in several of these transactions. Standard Chartered has asked him to meet his commitments, threatening legal action if he doesn't. Hiten is said to have replied that he won't respond to bullying tactics, but is willing to discuss matters across the table. Sebi has asked the Kanpur stock exchange to ask him for his books.

BHUPEN DALAL: *The Janakiraman report is riddled with holes*



■ **MANU MANEKLAL**: The BSE's legendary bear, Manubhai, as he's called by friends, has an aura about him. Broker Nimesh Shah, who heads Enam Financial Services, has said in the past that he learned the basics of the market from Manubhai and that he respects his opinion. For 15 years, Manubhai was king of the market, till he crossed swords with Harshad Mehta some years ago (the two have since smoked the peace pipe). In the recent bull run, Manubhai faced payment problems and reportedly sold 14 BSE cards. He's still a power to be reckoned with, has not been named in the Janakiraman report, but is said to have been among those who used Bank of Karad BRs to raise cash for *badla* financing.

■ **JITTU SHROFF (V.B. DESAI & CO)**: Almost a decade ago, the firm's original promoter V.B. Desai sold it to Shroff. A few weeks ago Shroff gave a notice to the BSE, saying he was the sole proprietor, and that his wife was no longer on the firm's board of directors. According to the Janakiraman report, V.B. Desai & Co acted as a broker in the Uco Bank-Harshad Mehta deal. Shroff ducks the limelight, and marketmen have mixed opinions about him.

■ **STEWART & CO, STEWART & MACKERTICH**: Sebi has asked the Calcutta stock exchange to seek explanations from both these concerns. Interviewed over the telephone, Stewart & Co partner Utsav Parikh said that till 2 June his outfit hadn't received any show cause notice.

FRESH REVELATIONS

The story of what really happened.

The telephone rang at around 10.30 pm on 30 April at the residence of National Housing Bank (NHB) chief general manager S.D. Hosangadi. On the other end of the line was M.J. Pherwani. The NHB chairman wanted to know whether NHB had conducted any bankers' receipt (BR) transactions in which Harshad Mehta figured. Hosangadi replied that NHB didn't possess any government securities, but did invest surplus cash in ready forward deals in public sector bonds and units, and so could possess BRs for these. NHB executive director T.K. Parthasarathy had granted approval for such deals in January 1991, he said, adding that he'd have to ascertain the actual position from assistant general manager P. Jambukeswaran.

Next, Pherwani contacted Jambukeswaran, who told him that NHB was involved in two ready forward transactions with Uco Bank for a sum of about Rs 145 crore, for which NHB had issued BRs. Pherwani then told him to go to the office the next day, a bank holiday, and scrutinise the books.

According to confidential documents *BusinessWorld* obtained, a flurry of activity followed the next day. Hosangadi, Jambukeswaran and Parthasarathy pored through the registers and found several puzzling transactions. So they recalled from leave assistant general manager Ravi Kumar and assistant manager Suresh Babu (both have since been suspended).

Some days later, a statement on outstanding ready forward transactions was prepared. This showed that the Reserve Bank of India (RBI) subsidiary was involved in 24 "back-to-back" transactions (where securities are bought from one bank or institution and sold to another bank or institution). The deals involved a sum of Rs 1,290.42 crore, part of which was owed by NHB to seven institutions (including ANZ Grindlays and State Bank of India) and the rest owed to NHB by 16 banks and institutions.

Pherwani, who was in Goa between 1 May and early 4 May, was informed of the position. Meanwhile, Hosangadi received phone calls from RBI executive director V. Viswanathan and from N.D. Parameswaran, head of the RBI's public debt office. Both sought information on NHB's involvement and about four deals totalling Rs 407.67 crore. The deals had come to light when the RBI inspected Grindlays' books. Hosangadi explained NHB's involvement, and said NHB would provide more detailed information to the central bank after apprising Pherwani.



NHB: IN THE SOUP

(Deals not backed by BRs)

Security	No of transactions	Value (Rs crore)
Government securities	4	302.05
Units & PSU bonds	22	857.45
PSU bonds	4	39.87
Total		1199.37

At 2.30 pm on 4 May, Parthasarathy, Ravi Kumar, Hosangadi and Jambukeswaran met at Pherwani's flat at Khar, a Bombay suburb. Pherwani grilled Kumar: on what basis had he involved NHB in ready forward deals, without the authorisation of the chairman or the NHB brass? Kumar said he'd done deals with banks and institutions — so these deals were safe — to maximise NHB's profits. Subsequently, a note was readied. This said no NHB funds were involved in the ready forward deals, NHB hadn't issued cheques to individual brokers and none of the transactions were authorised either by the chairman or the executive director.

The note was then handed to RBI's Parameswaran at his residence at 9 pm. The next day, Hosangadi flew to Delhi and handed a copy of the note to additional secretary (banking) K.J. Reddy.

On 5 May, SBI and Grindlays refused to honour NHB's claims (the housing subsidiary's deals were supposed to be reversed on that date). Pherwani and Parthasarathy later met the heads of these banks, who washed their hands off their commitments on the ground that NHB had not produced any BRs. As a result, NHB defaulted on its commitments to other banks.

Incredibly, the documents confirm what many in the secruties market had suspected all along that in several cases NHB didn't possess BRs of banks that had sold securities to it, even as it issued BRs to others. Put differently, this is like handing out IOUs to all and sundry but not bothering to collect IOUs from debtors.

Equally incredibly, in the last week of April an NHB official backdated a BR to 30 March after a Uco Bank general manager put pressure on the NHB official.

Worse still for NHB, Suresh Babu apparently confirmed in writing on a duplicate copy of an SBI letter of 27 April that SBI had no pending BRs to issue to NHB — when this was not the case.

What the documents suggest is that reporting and recording systems broke down at NHB. Example: the general manager's approval was sought till October 1991 for such deals, but with senior officials away for long hours every day, accounts were delayed and the practice of seeking clearances was given up. Specific approvals were not obtained from the NHB brass, and the brass assumed that no large deals were struck in the absence of authorisation.

The scandal has led to harrowing times for others too. On 3 June, BSE's Mayya was gheraoed and abused by Maharashtra Samajwadi Janata Party activists. Said a broker: "Mayya was really ruffled for some time. Had not some of the staff members cooled things down, he would have been in real trouble."

Inevitably, with business in the Rs 1,00,000-crore-plus securities market at a standstill (see box on p.99), security dealers accused the media of conducting a trial by the press. In fact, that sentiment had been earlier echoed by former NHB chairman M.J. Pherwani two days before he passed away. Pherwani told *BusinessWorld* that trial by the press was unhealthy and that reputations were being needlessly tarnished.

Still, there's no doubt that the Janakiraman committee report also has damaged several reputations. The report names a host of brokers (see box p.100). The report's conclusion confirms what's been common knowledge in the securities market for weeks. Among the conclusions:

- NHB, State Bank of Saurashtra, SBI Capital Markets and Standard Chartered Bank made payments but don't have securities, security general ledger (SGL) or BRs valued at a total of Rs 1,795.66 crore.
- Standard Chartered Bank, Canbank Financial Services and Canbank Mutual hold BRs or SGL notes issued by the Bank of Karad and by Metropolitan Bank. Snag: both these banks issued BRs without the backing of securities, to the extent of Rs 1,282.97 crore.

The report also indicts affairs at SBI, NHB and the Bank of Karad, and cocks a kindlier eye at the state of affairs at RBI's public debt office.

The next interim report — on foreign banks — could hit several bankers too. Last fortnight, it was awaited — with trepidation.

□ Jiten Mehta

(With Niranjan Rajadhyaksha and bureau reports.)

MADHAVAN: *No-nonsense super sleuth*



"SABHI SAAB LOG CHUTTI PE GAYE HAIN"

Some are enjoying the holiday; others worry about the future.

The phones are silent, the desks empty. The Bombay office of money market firm Batlivala & Karani (B&K), normally humming like a beehive, now wears a deserted look. Says a peon: "*Saab log sab chutti pe gaye hain. Aur karne to hai hi kya?*" (Everybody's gone on holiday; what else is there to do?)

B&K is no exception. The banking scam has brought the money market to a grinding halt; many firms have virtually closed shop for the duration. Executives have been asked to go on a month's leave — at company expense. B&K has asked its employees to take a 25-day break. Chief Madhur Murarka is leading by example. Says his brother, Manoj: "Madhur's having the best time of his life. He's taken his family on a 20-day holiday to Goa."

Utsav Parikh, chief executive of Calcutta-based Stewart & Co, still visits his office. But his daily routine has changed significantly: "I read all the papers and some film magazines. Then I go out to lunch with friends. When I get back, I chew a *paan* and take a short nap. These days, most of us get home before our kids."

Parikh says his staff comes in at noon and leaves by 3 pm. "They've been busy these last three days — watching the French Open!" Says an executive at Bombay's DSP Financial Services: "*Kya karen*? For the last one month, office *mein baithe baithe* bore *ho rahen hain*."

A senior executive at another Bombay-based firm says his bosses are seriouly considering surrendering some phone lines to the MTNL. "That way, we'll be able to save some money. In any case, we don't have many calls to make."

How long will this continue? Predictions vary from one month to six. But not everybody is prepared to sit around waiting for the market to come back to life. At Standard Chartered Bank, for instance, it is no secret that many senior executives are looking for new jobs. Says one: "Most of us who come to office these days use the opportunity to tap our sources for jobs."

At DBS Financial Services, a firm promoted by Hindustan Lever and the Deutsche Bank, the situation is more grim. Many executives have been given their marching orders.

Marching orders are the exception, not the rule. For now, the rule in most securities outfits is: have a good time, while the bad times last.

BRIEFS

■ The World Bank has deferred the processing of the $500 million **financial sector adjustment loan** to India till comprehensive details of India's reform programme become available to it, says *The Economic Times*.

Meanwhile, the Union government is reported to be having second thoughts on the implementation of certain key recommendations on financial sector reforms. These include the proposed change in the ownership pattern of banks and financial institutions and the entry of foreign banks and institutions into the country.

■ The six-member committee headed by RBI deputy governor R. Janakiraman to look into the multi-crore **gilt scam** has submitted its preliminary findings to finance minister Manmohan Singh. Leading banks and subsidiaries identified to be involved in the scam are: the State Bank of India, SBI Caps, National Housing Bank, ANZ Grindlays, Standard Chartered Bank, Canbank Mutual, Bank of Karad, Bank of Saurashtra and Metropolitan Cooperative Bank (MCB).

Meanwhile, the Bombay high court has ordered the liquidation of the Maharashtra-based Bank of Karad for having allegedly defrauded two major banks of Rs 1,400 crore by issuing fake bankers' receipts (BRs) for transactions in Unit Trust of India Units and public sector bonds.

The Reserve Bank of India (RBI) has also requested the Maharashtra registrar of cooperative societies to replace the board of directors of the MCB by an administrator who will take charge of the bank's operations. MCB is believed to have issued BRs worth Rs 500 crore. The RBI cannot take MCB into liquidation as it is a cooperative bank.

■ The largest merchant banker in Asia, Jardine Fleming (**JF**), is to soon open a liaison office in Bombay. JF has entered into a collaboration with Bombay-based Quantum Financial Services to provide its international clients access to research on equity shares in the Indian capital market. According to JF director-representative in India Mark Bullough, JF will engage itself in broking, merchant banking and fund management.

■ The Manila-based Asian Development Bank (**ADB**) is drawing out plans to set up a credit-rating agency in India. The bank also plans to establish leasing and venture capital companies in India.

■ In a bid to halt the prevalent practice of banks of short-selling securities, the RBI has done away with the system of allocation of **switch quotas** in central government securities to banks and other institutions. The RBI also intends to sell and buy securities in the open market with a view to activating the gilt-edged securities market.

■ A third bidder, Abu Dhabi Commercial Bank, has entered the fray to take over the Bombay branch of the Bank



THE BCCI OFFICE: *One more bidder*

of Credit & Commerce International (**BCCI**). The other two bidders are the State Bank of India and Bank of India.

■ The three auctions held so far of **364-day treasury bills**, introduced in this year's slack season credit policy, are reported to have garnered over Rs 2,360 crore. The relatively high collection compared to that of the 184-day treasury bills is attributed to the higher yield rate of the former — 11.42%.

■ The GIC Mutual Fund (GICMF) has effected a change in its newly-introduced national index-linked **Big Value** scheme. GICMF has decided to link the additional return of the current scheme to the Bombay stock exchange (BSE) national index at 1,600 points as against the 2,018.60 fixed earlier. Under the revised scheme, investors will get an additional return of 1% for every 100 point-rise in the national index above 1,600. The return is subject to a ceiling of 5% per annum.

■ The Bank of Baroda (**BoB**) is to soon set up a mutual fund. The bank has already received RBI approval, and has approached the Securities & Exchange Board of India (Sebi) for a formal approval to set up an asset management company. BoB also plans to revive its merchant banking subsidiary. Besides, it has plans to open a branch in South Africa and a finance company in Fiji.

Meanwhile, in a bid to gear up to handle the forthcoming Euroissues, BoB is reported to be actively considering picking up a stake in a British incorporated bank.

■ The **UTI** will in a few months' time list units of the Unit Growth Scheme (UGS)-2000 and UGS-5000 growth-oriented schemes on the stock-markets, says *The Economic Times*.

■ The RBI has liberalised its **branch licensing policy** for banks. Hereafter, banks will not require prior RBI approval for opening or relocating branches. They are, however, required to submit the relevant particulars to obtain the licence to the concerned regional office of the RBI.

■ The finance ministry is to soon approve the proposal relating to **corporate membership** in **stock exchanges**, says *The Economic Times*. Under the revised guidelines, the corporate entity will be eligible to acquire membership cards. Also, the need for a majority of board members to possess membership cards in their individual capacities will be done away with.

■ The RBI has directed all scheduled commercial banks to follow a new set of **guidelines** with regard to disclosures in banks' balance-sheets. The RBI has set out new guidelines for income recognition, asset classification and provisioning for bad debts.

A new US bill seeks renewal of Super 301 provision against Japan.

TRADING CHARGES

In a fresh move to put trade with Japan high on the election-year agenda, Democratic leaders of the US house of representatives have introduced a broad trade bill, bringing together earlier, more specific bills calling for a tougher policy towards Japan.

In drafting the bill, Democratic trade hawks have dropped their most extreme demands on Japan. And they have managed to have it sponsored by the influential house ways and means committee chairman Dan Rostenkowski, who is considered a moderate on trade issues.



This could lead to a fairly smooth passage of the bill in both the house and the senate, where a similar bill will soon be introduced. In that event, US president George Bush will probably veto the bill, but may pay a political price in doing so.

The new measure, co-sponsored by house majority leader Richard Gephardt and other trade hawks, is an attempt to reinvigorate several trade initiatives against Japan which have languished in the 1991-92 session of congress.

If passed, it will renew for five years the Super 301 provision of the 1988 trade law, which set out strict guidelines for the US trade representative (USTR) to identify, negotiate with, and retaliate against foreign countries which engaged in restrictive trade practices. Japan was named under Super 301 in 1989 but the provision lapsed after 1990.

The new bill will set new limits on the production, as well as sales, of Japanese cars in the US through a bilateral "voluntary restraint agreement" (VRA) rather than the current arrangement which purports to be purely voluntary on the Japanese part.

The aim will be to ensure that the aggregate sales of cars exported from Japan and those produced by the US subsidiaries of Japanese car makers do not exceed the number sold in 1992 (likely to be somewhat less than the 3.8 million units sold in 1991). US car makers will have to fulfil their part of the bargain by improving the quality and competitiveness of their products, the bill says.

The bill will also require the USTR under Section 301 of the trade law (which is similar to, but milder than, Super 301) to investigate "all acts, policies and practices of Japan" that affect access to its market by US manufacturers of cars and car parts. These obstacles include barriers in the distribution system, the toleration of systematic anticompetitive activities and government regulations, the bill says.

Similarly, it will require the trade representative to investigate, and seek an end to, barriers to US rice exports put up by Japan, South Korea and Taiwan. The bill has provisions to make it easier for the US private sector to request a USTR review of foreign compliance with international trade agreements. This procedure will allow for the US administration to impose countervailing and anti-dumping duties when foreigners are found to be receiving subsidies or engaging in dumping.

Some questions. Conspicuously absent from the bill is an earlier controversial proposal by Gephardt that Japan must reduce its overall trade surplus with the US by 20% a year for the coming five years or face cutbacks in car sales in the US.

Also missing from the bill are some detailed demands on the USTR that might deprive the US official of discretion. One such is a proposal from Gephardt that a renewed Super 301 should apply automatically to an industry of a foreign country, under the following condition: if the US trade deficit with that country accounted for more than 15% of the total US trade deficit and if that industry accounted for more than 10% of the US trade deficit with the country in question.

The bill, and its senate version, could move quickly through the two chambers of the Democrat-controlled US congress if it does not become bogged down by special interests. But there are signs that some key legislators, such as house trade sub-committee chairman Sam Gibbons and senate finance committee chairman Lloyd Bentsen, are lukewarm about the bill.

In the first house hearing on the measure on 14 May, USTR Carla Hills voiced strong objections to it, saying: "However well intended (it) may be, the effect is very likely to be a trade contraction. And that would be destructive in a time when our growth and our jobs are so closely linked to exports." Hills said that extension of Super 301 was unnecessary and that a VRA for cars would not help US automobile makers.

Japanese trade officials, who are against both Super 301 and Special 301, have criticised the bill as being unilateral. They were heartened by Hills' initial response but worry that Bush may pay a high political price for vetoing a "reasonable" bill aimed at Japan if he is having a tough presidential race and if, as is likely, the US trade deficit with Japan widens from last year's $43 billion. — *Far Eastern Economic Review.*

Islamabad announces a record deficit in its 1992-93 budget.

BANKING ON BORROWINGS

Pakistani finance minister Sartaj Aziz proposed a record government deficit in his budget statement to the national assembly on 14 May. Aziz also introduced a number of tax reforms. But with only a thin direct-tax base to lean on, the government will continue to rely on massive borrowings and indirect taxes.

The (Pakistani) Rs 29,200 crore (Rs 17,940 crore) budget for fiscal year 1992-93, starting on 1 July, included a deficit of Rs 8,900 crore. The government says this will be funded by borrowing Rs 6,500 crore, raising Rs 17.5 billion in taxes, and trimming Rs 650 crore from its annual development plan. (These are finance ministry figures. Aziz's speech differed from his text, leading some critics to accuse him of manipulating the figures. Aziz put it down to "normal last-minute confusion at budget time.")

According to the finance ministry, the deficit represents 5% of gross domestic product (GDP) — a figure it believes will be acceptable to the International Monetary Fund (IMF) on whom it is reliant for funds. Last year, the IMF withheld a $140 million (Rs 36.4 crore) loan until Islamabad promised to reduce its 1991-92 deficit to 4.2% of GDP.

Aziz's difficulty in cutting the deficit stems from Pakistan's extremely narrow tax base. Apart from 2 lakh salaried (mostly government) employees whose taxes are deducted at source, there are officially no more than 5 lakh income taxpayers among Pakistan's 118 million people. Of these, less than 1,000 declare an annual income of Rs 1 lakh. The government's revenue from direct taxes — comprising income tax, wealth tax and capital value tax — is only Rs 4 billion, compared to Rs 1,200 crore from customs duties, excise levies and sales tax.

Pakistan's difficulty in cutting the deficit stems from its extremely narrow tax base

To deal with the smuggling created as a side-effect of high indirect taxes, Aziz proposed a sales tax at the retail level, as opposed to the current practice of collecting it from the producer. He argues that this will enable the government to pull in increased tax revenues on goods now being smuggled into the country.

The budget once again ignored demands by the urban elites that the government tax farm income, which is exempt and thus a major avenue for evasion. But it did call for the taxing of some privileged companies. Military and police welfare foundations, which run a wide variety of tax-exempt businesses, are now to be taxed under certain conditions.

Otherwise, the emphasis was again on indirect means of collecting revenue. Taxes will be imposed on purchases of cars and residential plots, as well as on commercial and industrial firms' electricity bills. These taxes, however, will be deductible from personal and company taxes.

In addition, excise duties and other levies have been raised on a wide range of goods and services, notably telephone calls, textiles, foreign travel, passports, parties and dinners in luxury hotels and products advertised on television.

But Aziz also took pains to encourage important areas of the economy. Companies have been promised gradual income-tax reductions amounting to 11-15 percentage points over the next five years. Currently, banks pay profit tax at a 66% rate; private companies and self-employed individuals, 55%; and listed companies, 44%.

Companies with at least 40% foreign investment who also export 60% of their products are to be exempt from taxes for their first five years of operation. All other companies face a novel "tax": they will each be required to fund one educational institution, as determined by a sliding scale according to their paid-up capital.

The budget frees key government monopolies — such as power generation and distribution, telecommunications, and oil and gas development — from federal budgetary controls. The respective monopolies will have to raise their own funds to bring electricity production up to 11,600 mw, provide 8 lakh new power connections, install 7.5 lakh new telephone lines, dig 75 exploratory oil and gas wells and install 2.4 lakh new gas connections during the next fiscal year.

The budget allows for the floating of closed- and open-ended mutual funds without any investment ceiling. Listed companies may introduce stock option schemes for their employees through trusts.

Aziz failed to mention the issue of bank interest, forbidden under Islamic law. A court last year outlawed interest on bank deposits and all interest-based contracts with effect from 1 July 1992. However, the provision for interest in the budgetary estimates indicates that the government intends to block the court order. — *Far Eastern Economic Review.*



High production costs force Germany's car makers to redraw strategies.

A NEW ROUTE

When the threat of a long strike by Germany's engineering workers ended on 18 May, the country's car makers were immensely relieved. The outcome could have been so much worse. The deal gave their workers a pay raise of 5.8% this year and a 3.4% raise in 1993 with an hour's cut in the working week. But their relief is likely to be short-lived. The German car industry is heading for trouble — and it knows it.

"No matter how we look at it, there is no getting around the fact that we produce too expensively," says Erika Emmerich, president of VDA, the association of German car makers. Belatedly, German car firms are admitting that they have been slow to respond to new Japanese competition at the luxury end of the car market and, in mass markets, to fiercer competition from all sides. They are starting to move some production out of Germany — a strategy long considered taboo. They are also scrambling to learn many of the new manufacturing techniques pioneered by Japanese rivals, which have already swept through the American car industry over the past few years.

Imitating the Japanese will be an especially bitter surrender for the German car industry. Its managers have long scorned Japanese rivals as manufacturers of plebeian vehicles aimed at customers lacking the discrimination, or cash, for superior German models. With their legendary reputation for engineering excellence and some of the poshest brandnames in the business, German car makers have managed to charge premium prices for their cars and to escape, until recently, the full brunt of Japanese competition.

But having established their own reputation for high quality by producing small and medium-sized cars, Japanese car makers have invaded the market for luxury and high-performance cars where German producers excelled. Worse, the Germans' past success at charging premium prices let them prosper despite their own rising costs, and so encouraged them to ignore for too long the manufacturing revolution sparked by the innovations in Japanese factories.

There is a huge difference between the way Japanese and German companies make cars. This was vividly illustrated in *The Machine that Changed the World*, a five-year study of the world car industry by researchers at the Massachusetts Institute of Technology (MIT). It found that a German luxury-car plant required up to four times as many man-hours as a Japanese factory to build a similar car.



A GERMAN CAR FACTORY: *High-cost production*

The MIT team coined the term "lean manufacturing" to describe how the Japanese used flexible teams of workers to eliminate waste and improve quality. Instead of stopping the production line to deal with defects when they occur, as the Japanese do, German factories use large repair areas at the end of the production line. At one German plant the MIT team said "armies of technicians in white laboratory jackets laboured to bring the finished vehicles up to the company's fabled quality standards."

In America and elsewhere in Europe, car companies wounded by the Japanese have already begun to cut costs sharply and to introduce Japanese methods of production. But a boom last year in their domestic market indulged the German car makers in their lack of interest. German car sales rose strongly when millions of consumers in eastern Germany junked their Trabants and Wartburgs. New car sales in Germany increased by more than 13% to 4.2 million in 1991, and left most German producers looking fairly healthy.

Slashing the workforce. Now the German firms are rightly worried. Edzard Reuter, boss of Daimler Benz, reckons that Mercedes-Benz, his company's car-making subsidiary, needs to shed 20,000 out of 2.37 lakh jobs over the next three or four years. BMW plans to reduce its workforce of 74,000 by about 3,000 this year. Volkswagen (VW), Europe's biggest car producer, also plans to cut jobs but is coy about the numbers. Tough changes are expected when Ferdinand Piech, grandson of Ferdinand Porsche who designed the ever-popular VW Beetle, takes over as chairman from Carl Hahn in January.

Piech is currently chairman of Audi, the division which makes VW's top-of-the-line models. Under his stewardship Audi is searching for lower-cost assembly sites in Mexico and America. Mercedes began small-scale assembly of some cars in Mexico last year, and BMW is also considering opening an American plant. VW has a headstart in moving production out of Germany. It already makes cars in Mexico for the American market and owns Seat, a Spanish car maker, as well as a controlling stake in Czechoslovakia's Skoda. VW is also building a new car plant at Mosel, in eastern Germany.

VW admits that low wage rates will be only a temporary feature of the Mosel factory. Eastern pay rates in the engineering industry are planned to catch up with those in western Germany by 1996 and may do so much sooner. But a more durable advantage could be that eastern workers are less unionised; they may be more willing to learn new production methods.

Opel, the German subsidiary of General Motors (GM), is also hoping that this will be so. Opel is investing about DM1 billion (Rs 1,638 crore) in building a new car plant at Eisenach, 10 km inside the old border with eastern Germany. It will use just 2,000 employees working in three shifts to produce 1.5 lakh cars a year. That would be half as many cars as it makes every year at its main plant at Russelsheim, where today's 18,000-

strong workforce is expected to shrink by about 6,000 over the next five years. The company has calculated that, even without May's wage increase, it costs DM750 more to produce its medium-sized Vectra model in Russelsheim than it does to make the same car at GM's British factory.

Opel has a curious advantage over other German car makers: its American parent was brought to its knees by Japanese competition. That unhappy experience may enable Opel to teach the rest of the German car industry lean manufacturing techniques. Dan Jones, a professor of motor-industry management at Britain's Cardiff Business School and a contributor to the MIT report, points out that the company can draw on everything GM has learnt, slowly and painfully, about Japanese methods.

Some of the staff at Eisenach have come from New United Motor Manufacturing, GM's joint venture with Toyota in California, and from another joint venture with Suzuki in Canada. Opel has had plenty of requests from other German car companies to visit Eisenach. Unsurprisingly, the firm has refused. It says it will keep Eisenach's doors firmly closed until long after it begins production this autumn. — *The Economist.*

Hazy long-term plans and boardroom grumbles plague ICI.

UNCERTAIN PROSPECTS

A year ago Hanson, Britain's biggest conglomerate, took a 2.8% stake in ICI, its biggest manufacturer, in what everyone assumed was a prelude to a bid. ICI's combative chairman and chief executive Denys Henderson was enraged. A fierce public relations war ensued. ICI won. Hanson never bid and, on 8 May, quietly sold its stake for a modest profit. Even ICI's many critics concede that the firm responded well to the threat of takeover, accelerating cost-cutting and restructuring programmes it had announced early in 1991 before Hanson bought its stake. But already the firm seems to be drifting again, without a clear plan for expanding the higher-margin businesses on which it has concentrated and with rumours growing of a looming succession battle.

Since Hanson acquired its stake, ICI has sold £565 million (Rs 2,599 crore) worth of businesses and cut its workforce by 15,600 to 1.2 lakh. It plans to sell its fibres business, once one of the biggest subsidiaries, to Du Pont in exchange for £250 million and Du Pont's acrylics plants. The deal will make ICI the world's largest producer of acrylics, a common ingredient in many sinks, baths and paints. The company is also looking for buyers for its low-margin European plastics business and, to cut costs and impose tighter management controls, is closing its European headquarters in Brussels.



HENDERSON: *A sense of urgency*

The disposals have edged the company closer to its goal of relying on higher-margin products. When Henderson took over in 1987, 18% of ICI's sales came from the firm's bioscience group, which includes drug and farm-chemical businesses in which the company places its highest hopes. By 1991 bioscience's share of sales had risen to 24%. Drugs accounted for half of ICI's 1991 trading profit compared with 25% in 1987, though the drug business's proportion of profit was inflated somewhat by the depressed profits of more cyclical commodity businesses.

So far, so good. But many analysts point out that the threat of a Hanson bid has compelled ICI to dispose of many businesses at the bottom of an economic cycle. If it had acted earlier, when commodity chemical businesses were making more money, it probably could have got much better prices.

More troubling are analysts' complaints that, despite the changes of the past year, ICI has yet to outline a strategy for long-term growth. ICI's pharmaceutical operations are still much smaller than those of the drug industry's biggest firms, with which it competes. This matters, because the industry's leaders have just completed a wave of mergers in a search for economies of scale in research and marketing.

Unless ICI's drug subsidiary gets much bigger fast, either by discovering a blockbuster or by buying another drug firm, it could find itself outgunned. Equally disturbing, the patents of many of ICI's top-selling drugs are about to expire. ICI has launched some promising new drugs, but these may not be enough to offset sales lost because of expiring patents. It has little in the pipeline for three or four years from now.

Other chemical companies in a similar plight have either put their drug businesses into a joint venture or, like Switzerland's Ciba-Geigy, spent heavily to expand marketing and sales forces. ICI is reluctant to do either. It does not want to lose control of its drug business to a joint-venture partner. And spending huge sums on promotion or marketing makes little sense until it has a blockbuster drug to sell. As for farm chemicals, ICI expects to reap profit from its genetically engineered seeds, which can survive drought better than ordinary varieties. Though profits from such pioneering products could be handsome, they are still well over a decade away.

Henderson's moves to inject some sense of urgency and direction into a firm known for its sprawling bureaucracy and collegial management has, perhaps inevitably, produced boardroom grumbles that Henderson and Ronnie Hampel, ICI's chief operating officer, have pushed other top managers aside. There are also complaints that, in a firm which has traditionally groomed successors well in advance, no obvious successors are emerging to Henderson. Hampel is the same age. Though Henderson is not due to retire until 1995, doubts about the succession could eventually divide the board and distract the firm's managers. Ironically, ICI's managers believe they fended

off a bid from Hanson by casting doubts on Hanson's succession and long-term prospects. Now ICI itself has to come up with answers on both subjects, or maybe attract another unwelcome suitor. — *The Economist.*

A new set of proposed regulations worries foreign bankers in America.

TOUGH NORMS

Not all foreign bankers are crooks — but America's congress wants to treat them as if they were, just in case. After the scandals over Bank of Credit & Commerce International (BCCI) and Banca Nazionale del Lavoro (BNL), a new law to toughen the oversight of foreign banks, and proposed new rules to implement that law, have alarmed foreign bankers. Efforts by Democrats to draw attention to the CIA's shady dealings with foreign banks during the Reagan and Bush administrations may soon give them further cause to worry.

As part of its banking reforms last year, congress passed the Foreign Bank Supervision Enhancement Act (FBSEA). This required foreign banks to be more closely supervised, but left the Federal Reserve to draw up detailed rules. In May, the Fed published proposed regulations and asked for comments. Foreign bankers — and some Fed governors — think the rules are too tough and will scare away foreign banks from commercial lending in America.

The biggest change in the FBSEA is that all foreign banks now come under the authority of the Fed, as well as of the office of the comptroller of the currency (OCC) or a state supervisor. Foreign bankers fear the new burdens that this multiplication of supervisors is already bringing. Scandal-free foreign banks say they have been under closer scrutiny for months; even routine applications take far longer than before, they say, and demand more paperwork. The Fed is hiring 250 new examiners to look only at foreign banks.

Approval by the Fed (as well as a licence from the OCC or state supervisor) is now required before a foreign bank can establish a new American branch or office. The Fed recently blocked an application by the Banco Nacional de Mexico to open a branch in Florida, though state regulators had approved it last year. The new act says that the Fed may not give permission unless it is satisfied that the foreign bank's worldwide activities are adequately supervised by its authorities at home; the proposed rules place the burden of proof on the bank. Even when they try, few developing-country governments manage to regulate foreign branches of their banks effectively. If the Fed insists on being told about any part of a parent bank's international operations, including those now covered by national bank-secrecy laws, banks in some rich countries will find it equally difficult to comply.

Under the new law, a foreign bank must also get the Fed's blessing before taking an equity stake of more than 5% in an American bank; the old limit was 10%. In an even more controversial change, it must also create a separately incorporated American subsidiary before it can take federally insured deposits from the public. (Foreign bank branches that were previously allowed to take insured deposits are exempted.)



This last requirement is more than inconvenient red tape. It will reduce foreign banks' capacity to lend. A bank's lending limit will be determined by the capital of its American subsidiary rather than by the capital of the whole bank, as is now the case. It is not clear whether congress intended its measure to extend to uninsured wholesale money too. Regulators, foreign bankers believe, have already lowered their confidential ratings of foreign banks, anticipating that their capital bases will shrink.

America has been a growing market for foreign banks. They have more than doubled their lending there in the past decade — to $203 billion (Rs 52,780 crore) last year, or one-third of all bank lending. As regulatory demands and declining credit ratings have caused American banks to retrench, foreign banks (especially higher-rated ones) have filled the gap. At first Japanese banks did so eagerly; lately they have trimmed their lending. Then European banks stepped forward, along with banks from Australia and developing countries such as Taiwan, Brazil and Mexico.

The new and proposed restrictions make foreign banks wonder whether an American banking licence is worth the bother. Some no longer consider an American presence to be essential. Those that still want to be in America — and they are many — are asking whether it might be better to enter in the guise of a securities firm or insurance company rather than as a commercial bank.

For some, an attempt by Democratic congressmen to extend American arms-export laws to foreign banks may help settle the issue. Legislation before the house of representatives would require regulators to withhold or revoke the licences of foreign banks that violate restrictions in American law on financing trade in arms and weapons-related technology. It would also forbid banks of which foreign governments own more than 25% to do any business in America except limited trade finance.

Behind this draft law, which is strongly opposed by the Fed, lies state-owned BNL's illicit financing of sales of arms to Iraq. Did Republican administrations tell regulators to look the other way when foreign banks were doing work for the CIA? Democrats in congress want a formal investigation to tell them. With elections looming, this may open a chasm into which many foreign banks, virtuous or otherwise, could tumble. — *The Economist.*

NEWS BRIEFS

■ The 12 European Community (EC) members have agreed to impose a **trade embargo** on **Serbia** and **Montenegro**, and asked the United Nations (UN) to consider imposing an oil and financial embargo, says *Financial Times*. The EC move comes in the wake of Serbia and its ally Montenegro's military intervention in Bosnia.

■ In a bid to avert US trade sanctions, **Taiwan's** parliament has made revisions to its **copyright law**, strengthening protection of foreign patents and copyrights. The new law gives legal protection to a wide range of products — Chinese translations of English-language publications, computer software and films and music recorded on laser discs among others. The revision imposes stringent penalties for copyright piracy. Violators now face seven-year prison terms and fines of up to $18,000. Victims of infringements can seek up to $40,000 in damages.

■ For **Salomon**, the US-based investment bank, the worst is not yet over. But it is breathing a lot more easier now. The firm, rocked by a treasury-auction bidding scandal last year, has now agreed to cooperate with the US government in the junk-bond case, says *Financial Times*. The bank has agreed to pay a fine of $290 million as part of the settlement with the Securities & Exchange Commission (SEC) and other US government agencies. The fine, though steep, pales in comparison to the $650 million coughed up by Drexel Burnham Lambert, which fought a protracted two-year battle with the government before giving in.

But Salomon is hopeful of staging a comeback. Now, after having settled the issue with SEC, the company is hoping to lure back at least some of its older investment-bank clients who fougt shy of the firm when it got muddled in the scandal. In spite of taking "body blows", it is "still a very viable machine," says a former Salomon executive.

Meanwhile, Warren Buffett, the billionaire investor who took over as chairman of the firm last August when the bond scandal broke out, is stepping down. Deryck Maugham has taken over as chairman and CEO of its Wall Street securities subsidiary, Salomon Brothers.

BUFFETT: *Stepping down*



■ Italian car maker **Fiat** has agreed to pay about $2 billion for a 90% stake in a joint venture with Polish car maker **FSM**. Under the agreement, about $800 million has already been spent on the production of Cincequento, Fiat's new small car being built by FSM. The capacity at its plant is to be hiked to 2.4 lakh units per year. Fiat will also invest in a new model to replace the Fiat 126, another small car built for it by FSM.

■ **Argentina's** congress has approved a **controversial legislation** that allows for privatisation of the state-owned natural gas monopoly. The legislation is expected to trigger off a spate of privatisations.

The government plans to break up the company Gas del Estado (GDE) and sell its transport and distribution networks to private investors, thereby hoping to raise about $2.7 billion. GDE will be one of the country's largest privatisation schemes, following the sale in 1990 and 1991 of its telephone and airline businesses respectively. The government intends to hive off almost all federally-owned companies by the end of 1992. Another company which is being prepared for privatisation is YPF, the national oil company.

■ The **European Commission** has refused to send its **environment commissioner** to the Earth Summit at Rio de Janiero, Brazil. The commission says the refusal follows the failure of world leaders to agree to binding commitments to reduce global pollution.

Carlo Ripa di Meana, Brussels' environment commissioner says he will not go to a meeting "where everything has been fixed in advance" and which will produce "words, than binding obligations and precise understandings" on how to cut carbon dioxide emissions. The commission executive, which recently finalised the proposal for an EC-wide tax on carbon fuels, will send to Rio the director-general of its environment service instead of di Meana or any of the other 16 commissioners who form its political governing body.

■ **Honda Motor** of Japan is planning a foray into China. The company plans to establish the first motorcycle production joint venture in China, one of the world's fastest-growing and highly lucrative motorcycle markets. Honda will have a 35% stake in the project, with state-run Guangzhou Motorcycle taking the majority stake. The joint venture envisages the taking over of an existing factory to produce 50,000 motorcycles of 125 cc engine capacity in the first year, and double the output by 1995. Meanwhile, Yamaha Motor too is planning to establish a base in China. The company is negotiating the terms of a production venture with Chinese government organisations.

■ Another company moving into China is **Ericsson**, the Swedish telecommunications giant. The company has signed a contract worth $42 million for the extension of the mobile telephone network in Guangdong province of China, creating an additional capacity for 55,000 subscribers.

HOW TO MOTIVATE PEOPLE

By WALTER E.VIEIRA



A good motivator's greatest reward is that people enjoy every moment of working with him

As an executive rises up the ladder, man-management skills come into greater play and therefore increase in importance. As manager, the executive will generally have a team of people to work with and will invariably be its leader. Therefore, he needs the ability to get people to do what needs to be done to achieve the company's objectives. He should have the ability to motivate. This ability could make up for many other weaknesses. Not possessing this ability could negate many of his other strengths.

There are those who motivate with the weapon of fear. But this does not always work. What we are really looking for is the ability to motivate without using fear or favour. The ability to get people to do the job because it has to be done; because they love the job and want to do it.

Prem worked for a multinational, where it was known that not many, especially in the sales department, lasted beyond seven years. The company seemed to believe that salesmen beyond 30 years of age had gone over the hump. The philosophy of work hard and achieve, or you will be out sooner or later (generally sooner than later) permeated the whole organisation. The chief executive was a terror. Employees and executives tried to avoid him and a call to meet him was most unwelcome. Many in the executive cadre suffered from stress-related diseases. Looking back now, Prem reflects how happy they all were when the chief executive retired. And he also knows how lonely his former boss is. He has no friends, commands no respect as a person, and was only considered "somebody" because he wore a designation. It was this designation which gave him the power to mete out criticism or praise (he rarely used the latter) and the power to hire and fire.

But most of us are looking for a leader who can motivate without using the awesome power of fear. A leader who is one of us, and yet not one of us; who we regard as a friend and yet who draws the line between friendship and familiarity; who trusts but is not naive; who is fair and also seen to be fair. Given below are some of the qualities such a person would have.

- A good motivator sets a good example. He is the role model. He preaches through his actions rather than through sermons. He is the sales director who at least sometimes visits the marketplace; gets wet in the rain or scorched in the sun; dares to visit the difficult customer and the rural market which may not have a two-star hotel. Or he's the production manager who often moves round the factory floor.
- He is quick to recognise an asset that may have been developed; or an achievement by one of his men. And not just private recognition, but a public acknowledgement that says thank you in the presence of peers.
- He ensures involvement by building enthusiasm within the team for achieving a common and shared goal. He makes each one, no matter how big or small the person, a partner in the enterprise. And with such involvement, the good motivator ensures participation so that everyone carries a part of the burden.
- He does not stint on praise. He is generous with it, though he does not give it as charity. He ensures that his praise does not come cheap. It is only given when well-deserved, and consequently it is a matter of rightful pride to the receiver. Such praise is tied up with recognition — and can be encapsulated in those five most important words — I am proud of you! So easy to say; yet rarely said.
- He eliminates the tendency to boss. He uses 'we' rather than 'I.' He shares credit and praise, and when things go wrong, takes a major part of the blame. Though never boss, he is always accepted as leader.
- He dispenses rewards according to performance, not personality. He cannot be accused of favouritism. His only measure is 'how has he done compared to the objectives set?'

It is easy to talk and write about motivation. But it is difficult to come across executives who are real motivators. Often they may not be found at the top of the management pyramid. They may be there, among the crowd of sales supervisors and production foremen. Their greatest reward is that people enjoy every moment of working with them and will remember them long after they have left the group for greener pastures. Many times people working under a motivator say "What I am today is because of that person."

A friend of mine says the same about his mother. He stammered and was a below-average student. All his five brothers and sisters were exceptionally brilliant. But his mother kept motivating Sunil, encouraging him to enter public-speaking contests, consoling him when he lost; encouraging him to try again until he bloomed into an unusual adult. Today he is a senior executive at the International Monetary Fund. Whoever thought he would have made it that far. Not even he. But his mother had the courage, the patience and the faith. She was a motivator.

The author is a Bombay-based management consultant.

PICK OF THE JOBS

VICE-PRESIDENT — MARKETING

Organisation: A well known manufacturer of office equipment in the business of manufacturing and marketing. Large group.
Requirements: A person currently working at the level of head of marketing or general sales manager in a professionally managed office equipment/consumer durable company; 37-45 years; with at least 2-3 years' exposure to marketing functions and extensive hands-on exposure to sales management.
Other details: Will be based in a major metro city; will contribute to structural and systems building; proven leadership quality essential; excellent career opportunities.
Remuneration: Rs 2 lakh per annum (pa); house, car.
Enquiries to: Personnel Search Services, 71-A 7th Floor, Mittal Chambers, Nariman Point, Bombay 400 021. Tel: 2027859/0790/2874164.



PRESIDENT

Organisation: A financial services company in the business of hire purchase and leasing. Part of a large group.
Requirements: A banking/finance professional; around 40-45 years. Good exposure to capital markets; excellent leadership skills.
Other details: Will be based in a large city; will report to the chairman of the group and spearhead the company's thrust into financial services.
Remuneration: The best in the industry.
Enquiries to: Personnel Search Services.

BUSINESS HEAD

Organisation: A large private sector corporation engaged in a major globalisation effort.
Requirements: Above 35 years; 15-20 years of working experience with at least 10 years in the field of finished goods. Proven ability to manage a profit centre. Knowledge of fashions and trends in overseas markets is a prerequisite. Formal qualifications in leather technology desirable.
Other details: Will be based in a major city. Responsible for implementation of the project and production subsequently. Profit centre responsibility, heading technical production, marketing, commercial and collaborations.
Remuneration: Excellent.
Enquiries to: Personnel Search Services.

EXECUTIVE VICE-PRESIDENT

Organisation: A professionally managed company providing financial services to a wide range of clients.
Requirements: A CA/MBA (finance) from a premier institute; 10 years' experience in a reputed banking/finance company in a senior management position; around 35 years of age.
Other details: Will be based at Bombay; will be responsible for all profit centres; will direct the company's entry into new areas of financial services, ensuring continuous expansion of existing activities.
Remuneration: Attractive.
Enquiries to: Personnel Search Services.

VICE-PRESIDENT

Organisation: A highly creative, professionally managed company handling an exciting range of marketing intensive, national brands.
Requirements: A dynamic professional with at least 10-15 years' advertising and marketing experience and impeccable academic credentials; should be an excellent accounts planner with sound creative judgement and proven track record of successful new business pitches.
Other details: Will be based at Bombay; will head an independent group and report directly to the chairman.
Remuneration: In the region of Rs 3.5 lakh pa; chauffeur-driven car.
Enquiries to: Rapport Careers In Communication, 123 Rewa Apartments, Bhulabhai Desai Road, Mahalaxmi, Bombay 400 026. Tel: 4927784.

ACCOUNT DIRECTOR

Organisation: One of the top 10 professionally managed ad agencies with branches in all major centres.
Requirements: A live-wire professional between 30-35 years; preferably a post-graduate in marketing management; with 7-8 years of senior-level experience and brand management; a research background with sound creative judgement will be an added advantage; should also possess hands-on experience of account planning and strategy formulation.
Other details: Will be based at Bombay.
Remuneration: In the region of Rs 2.5 to Rs 2.75 lakh pa.
Enquiries to: Rapport Careers In Communication.

MEDIA GROUP HEADS

Organisation: One of the top five ad agencies with international affiliation.
Requirements: Should ideally have 5-6 years' hands-on experience in multi-media operations in general and planning in particular with a mathematics/statistics and research background; should have worked on marketing intensive, multi-crore national brands with ability to take on independent responsibilities; daring enough to have tried out non-conventional media approaches.
Other details: Will be based at Bangalore.
Remuneration: Excellent; car, house.
Enquiries to: Rapport Careers In Communication.

MANAGING DIRECTOR

Organisation: A large, reputed company manufacturing and marketing hi-tech/sophisticated electronics products.
Requirements: Should be an MBA (marketing) from a premier institute, preferably with an engineering degree in electronics or telecommunications; with 15-20 years' experience, of which at least five years should be as a profit centre head in an electronics/computer/office automation industry; strong marketing track record essential.
Other details: Will be based at Bombay and report to the group chairman.
Remuneration: Very attractive, with wide-ranging perks.
Enquiries to: The Concept, 67 White Hall, 143 August Kranti Marg, Bombay 400 036. Tel: 3674422/23.

GENERAL MANAGER — MARKETING

Organisation: A hi-tech steel manufacturing company.
Requirements: A metallurgical/mechanical engineering graduate with an MBA; 10 years of relevant experience.
Other details: Will be based at Nagpur and report to the chief executive.
Remuneration: For the asking.
Enquiries to: Girish Consultants, Placements Division, Shreenivas, New Osmanpura, Aurangabad 431 005. Tel: 29855.



OVERSEAS

GENERAL MANAGER — FINANCE

Organisation: A Sharjah-based group having operations in India and a multiproduct distribution house in the United Arab Emirates.
Requirements: Should be a CA with 10 years' experience; should be well-versed with computerisation of accounts; will be required to liaise with banks, financial institutions and vendors.
Other details: Will be based at Sharjah; will be in charge of the finance and accounts functions of the company.
Remuneration: Around Rs 30,000 a month; lavish perks including family accommodation and car.
Enquiries to: The Concept.

MARKETING & FINANCE MANAGERS

Organisation: A large textile group.
Requirements: High-profile MBAs in marketing and finance; around 30 years with 15 years' sound track record in top-flight companies.
Other details: Will be based in Nigeria.
Remuneration: With a lot of savings potential and wide-ranging perks.
Enquiries to: Beam Services, 1 Colaba Chambers, 117 Wodehouse Road, Bombay 400 005. Tel: 2150122.

VICE-PRESIDENT — FINANCE

Organisation: A hi-tech steel manufacturing company.
Requirements: Should be a CA/MBA (finance); with a thorough exposure to finance, taxation, management information systems, materials and other related areas.
Other details: Will be based at Nagpur and report to the chief executive.
Remuneration: Will not be a constraint.
Enquiries to: Girish Consultants.

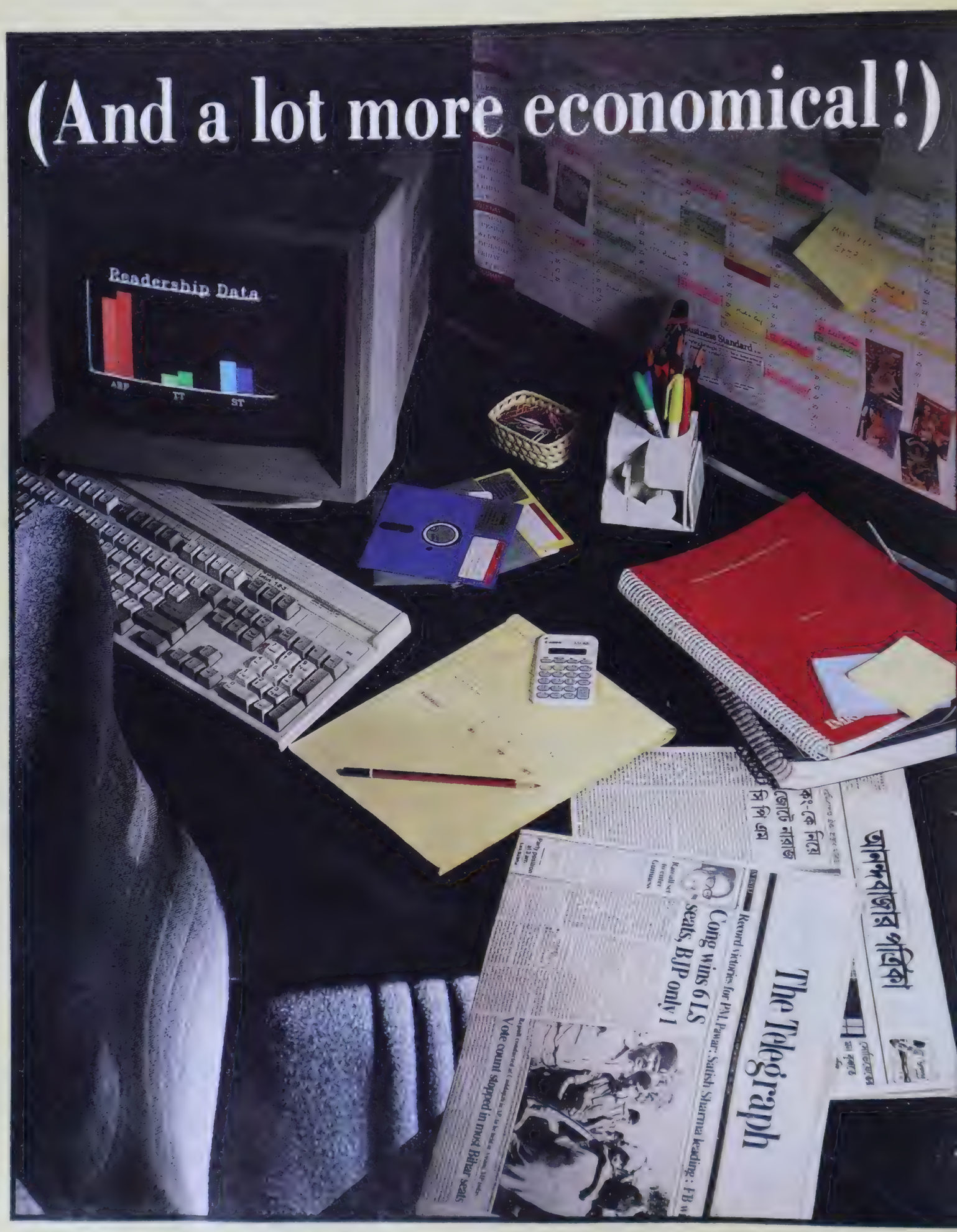
MARKET RESEARCH MANAGERS

Organisation: A multinational pharmaceutical company.
Requirements: An M.Sc/B.Sc (statistics); with at least five years in market research in a market research company/ad agency/consumer products company.
Other details: Will be based at Bombay.
Remuneration: Negotiable; as per industry norms.
Enquiries to: Jonzehn Services, Post Box No 9891, Bombay 400 050. Tel: 6420387.

□ Indra Gidwani

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COMBINATION 1 : ABP + TT						
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CPT (Rs)	0.21	0.95	1.21	0.48	0.73	2.09
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Nett Reach ('000s)	2089	488	369	940	643	225
CPT (Rs)	0.27	1.16	1.53	0.60	0.88	2.51
% CPT increase over Combination 1	29	22	26	25	21	20
COMBINATION 3 : ST + TT						
Nett Reach ('000s)	690	290	223	310	368	141
CPT (Rs)	0.71	1.69	2.20	1.58	1.33	3.48
% CPT increase over Combination 1	238	78	82	229	82	67

• *Rates (per col. cm.) : ABP + TT = Rs 430; ABP + ST = Rs 565; ST + TT = Rs 490.* • *The Socio-Economic Class (SEC) system of classification is based on the occupation and education of the Chief Wage Earner of the household.*

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Anandabazar Patrika + The Telegraph. That's the No. 1 combination in Calcutta!

Anandabazar Patrika + The Telegraph

Makes more mediasense

Contract ABP 139 91



P.V. Subba Rao has taken over as general manager (marketing) of Sumitra Chemicals & Pharmaceuticals.



N. Kumar has been appointed managing director of Linkhouse Commercials.



V.S. Bajaj has been appointed president (projects) of Rajasthan Breweries.



A.K. Sanyal has taken over as chief executive of Asian Cans.



B.R. Dholakia has taken over as general manager (public relations) of Indian Oil Corp.



Virender Singh Datta has taken over as general manager of Welcomgroup SeaRock Sheraton, Bombay.



P. Raghavendran has taken over as general manager (marketing) of Indian Oil Corp.



Vinod S. Shah has been elected chairman of the Steel Furnace Association of India.



V.P. Shriyan has been appointed president of Indag Rubber.



T. Ramanan has been elected vice-president of the International Federation of Risk & Insurance Management Associations.

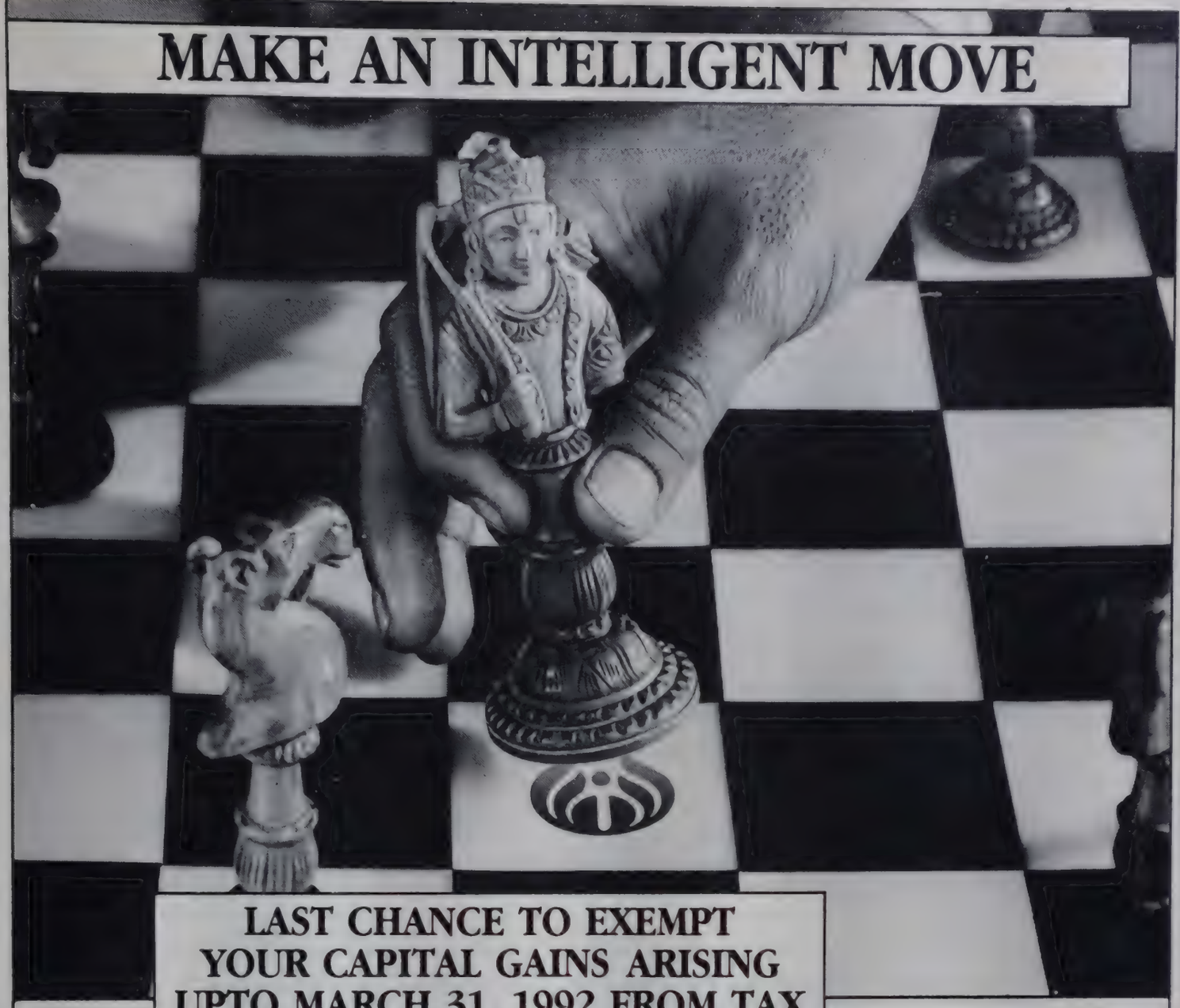


Rohinton Bharucha has been appointed deputy general manager of Apple Asset Management.



Marcel R. Parkar has taken over as general manager (HRD) of Modi Xerox.

MAKE AN INTELLIGENT MOVE



LAST CHANCE TO EXEMPT YOUR CAPITAL GAINS ARISING UPTO MARCH 31, 1992 FROM TAX

INVEST IN

IDBI

CAPITAL BONDS

LAST DATE FOR INVESTMENT UNDER THE SCHEME: SEPTEMBER 30, 1992.

Long term capital gains from the sale of land, buildings, jewellery, shares etc. attract Income Tax. But there is a way out. Invest in IDBI CAPITAL BONDS, keep your capital intact and earn interest too.

- Bonds available at par till September 30, 1992.
- Exemption from tax on Capital Gains under Section 54E of the Income Tax Act 1961 for the Assessment Year 1992-93.
- Income tax benefit under Section 80L.
- Interest at 9% p.a. payable half yearly.
- Investments by Non-Resident Indians also accepted.
- At the investor's option, interest for the full period of 3 years can be paid in advance on discounted basis.
- No deduction of tax at source.
- Outstation cheques accepted and cost of collection borne by IDBI.

Sobhagya - 92

ALSO CONTRIBUTE TO THE INDUSTRIAL DEVELOPMENT OF THE COUNTRY.

For further details contact the nearest IDBI office or write to Manager

INDUSTRIAL DEVELOPMENT BANK OF INDIA

IDBI Tower, Cuffe Parade, Bombay 400 005 Tel: 218 9111/21

swaraj

For today and tomorrow

PUNJAB TRACTORS LIMITED

Regd. Office: Phase IV, S.A.S. Nagar, Distt. Ropar-160 055

Unaudited Financial Results (Provisional) of Six Months Ended 31st March, 1992

Rs. Lacs

	Six months ended		Accounting Years ended	
	31.3.92	31.3.91	31.3.92	31.3.91
Sales & Other Income (Net of Excise)	10013	9443	18701	16960
Total Expenditure	8956	8137	16651	14876
GROSS PROFIT BEFORE INTEREST	**1057**	**1306**	**2050**	**2084**
Interest & Finance Charges	7	147	122	228
CASH PROFIT	**1050**	**1159**	**1928**	**1856**
Depreciation	150	139	324	284
NET PROFIT	**900**	**1020**	**1604**	**1572**
Provision for Taxation	185	355	425	500
PROFIT AFTER TAX	**715**	**665**	**1179**	**1072**
Paid-up Equity Share Capital	506	506	506	506
Reserves (excluding revaluation reserves)	—*	—*	—*	4599

* *Not required to be shown*

Date: 27th May,1992

Yash Mahajan
Managing Director



Ideas Inc.

For Progress and Prosperity

THE RELIANCE GROUP

offers challenging opportunities
to
OUTSTANDING BUSINESS EXECUTIVES
in their
International Trading Division

The business involves marketing of bulk industrial raw material to major industries in the country, such as Fertilizers, Chemicals and Metals, as well as exports of commodities and projects in international markets. We are looking for dynamic, result-oriented and highly charged business executives to fill the following positions in Bombay and other metros:

Vice-President – Marketing (Fertilizers) (Ref. No. 191)

He will be responsible for marketing large volumes of Phosphates, Sulphur, Ammonia, DAP, MOP, etc. to Fertilizer Industries. He will formulate, plan and execute marketing strategies to achieve desired volume of business; train, develop and motivate a team of professionals to peak performance. Applicants, around 40, should preferably be MBAs with over 10 years of experience in above product lines, with a proven track record and presently holding a senior position.

Vice-President – Marketing (Chemicals) (Ref. No. 192)

The job entails total responsibility for marketing a variety of bulk chemicals, catalysts, auxiliaries and intermediates to the process industry, such as refineries, petrochemicals, heavy chemicals, etc., in the country. The emphasis will be on planned achievement of targets by leading and motivating a marketing team consisting of young professionals. Applicants, around 40, should be MBAs with over 10 years of experience in marketing bulk chemical raw material and currently holding a senior position.

Vice-President – Marketing (Metals) (Ref. No. 193)

He will be in-charge of marketing and distribution of ferrous and non-ferrous metals, alloys, scraps, etc., to the manufacturers and metals market. We are looking for an experienced marketing executive around 40 years of age, with substantial experience of trading in metals, with established contacts and record of success in this field. He will have a team of marketing professionals to assist him.

Vice-President – Exports (Commodities) (Ref. No. 194)

The main job will be to identify and develop reliable sources of supply for commodities such as Oils & Oilseeds, Grains and Pulses, Sugar, Spices and other agro-products in the country for exports around the globe. The selected person, around 40, should be a seasoned campaigner in the commodities market, widely travelled and highly successful in sourcing and exporting commodities.

Vice-President – Exports (Development & Projects) (Ref. No. 195)

He will identify and develop new products/markets for exports and will be responsible for exports of projects, technology, manufacturing tie-ups/collaborations, etc. He should be an outstanding engineer, preferably with an MBA and must necessarily have 8 to 10 years' experience in development of new business lines, projects sales overseas. He should be between 35-40 years of age.

Vice-President – Shipping (Ref. No. 196)

He will control all shipping and logistics matters and be responsible for timely, cost efficient and effective shipments inward and outward. A seasoned, shipping executive, around 40 with over 15 years' experience in the line, he should be completely familiar with import/export formalities, booking of cargo, chartering routing/rerouting of shipments and clearance of consignments.

Vice-President – Finance & Banking (Ref. No. 197)

He will be responsible for the treasury function, with particular emphasis on banking operations. Completely familiar and thoroughly exposed to banking, financing in local and overseas money markets, he is expected to be the backbone of the trading business and an expert at handling complex financing situations. Ideally a senior banking executive, around 40, he should have at least 10 years' experience in these areas, including investments and forex management.

The compensation package will be commensurate with the merit of the applicant, in line with the best in the industry and not likely to be a constraint.

Apply within 10 days, with complete details of education, experience, products/markets handled and achievements in the field of endeavour, contact phone nos. etc. and marking the envelope with relevant reference number, to:

Central Recruitment Cell
Reliance Group of Companies
Reliance Centre, 2nd floor, Walchand Hirachand Marg, Ballard Estate, Bombay 400 038.

Mudra : RIL : 1223

RASHTRIYA METAL INDUSTRIES LIMITED

We are a well established company manufacturing rolled strips. We have installed sophisticated imported mills, and other equipments of latest designs, for which we have the following vacancies at our works at Andheri (Bombay) :

WORKS MANAGER.

Graduate Engineers (Mechanical/Metallurgical) aged around 35-40 years and proven performers in strip rolling of ferrous or non ferrous metals.

ASSISTANT MANAGER (DEVELOPMENT).

Graduate Engineer/Diploma holders (Mechanical), thoroughly familiar with the design aspects of modern machinery.

ASSISTANT MANAGER (QUALITY ASSURANCE).

Graduate Engineers/Diploma holders (Metallurgical) with a good track record of 3-5 years in a strip rolling plant.

ASSISTANT MANAGER (PLANNING).

Graduates Engineers/Diploma holders (Mechanical/Metallurgical) with exposure to planning in the strip manufacturing industry.

MARKETING OFFICERS.

Graduates with fluency in English and a successful track record in industrial sales, preferably of rolled strips.

For all positions, competence gained through long experience can substitute the requirement of academic qualifications. The remuneration package we provide is attractive and is designed to attract the best talent available. Accommodation can be provided.

Please apply with your detailed resume indicating salary last drawn and expected to:

Managing Director
Rashtriya Metal Industries Limited.
Sir. M.V.Road, J.B.Nagar,
Andheri (East)
Bombay - 400 059.

Clamar

UNIQUE OPPORTUNITY

FOR ENTERPRENEURIAL EXPORT PROFESSIONALS

TO RUN AND MANAGE THEIR OWN OUTFIT

MINUS THE ORGANISATION-RELATED HASSLES.

PROMINENT BUSINESS GROUP – ASSET BASE Rs 800 CRORES

You have had a highly successful track record in International Trading and you know the game inside out. You have been longing to capitalize on the emerging opportunities and having served the bosses would now like to call your own shots. And yet the prospect of starting your own outfit is fraught with all sorts of problems. And uncertainties too. Financial included.

If we are on the same wave length, here is a proposition that should fit into your scheme of things. Our client will provide you everything – finance, infrastructure, umbrella of office/corporate services, – in short, whatever you need. You run your business and evidently share the profits you make. It's your business and all decisions are yours too.

You have specialized in product/s and have traded for at least 5 years in your field. You have your markets/sources of supply at the tip of your fingers. The areas of interest are:

TEXTILES
SANITARYWARE
DYES, CHEMICALS, PHARMA
COMMODITIES
HANDICRAFTS
CASTINGS, FORGINGS, ENGG PRODUCTS
LEATHER, LEATHER PRODUCTS & SPORTS GOODS
STEEL AND RELATED PRODUCTS
COMPUTERS, ELECTRONICS

ANY OTHER ITEMS.

(IF YOU ARE NOT YET FULLY CONFIDENT OF MANAGING YOUR OWN SHOW, BUT KEEN AS NO. 2, YOU COULD BE SUITABLY ABSORBED.)

Our client is one of the most upwardly mobile Business Group with a substantial presence in diverse industries including some of the large projects in the core sector industries. The Group has a strong manufacturing base in the engineering industry but is new to exports in almost all the areas mentioned above. The Group will be investing in very large multicrore projects in the near future. Exports has been identified as a key thrust area and plans are afoot to make great strides forward.

YOU COULD BE BASED AT DELHI, MADRAS, BANGALORE, BOMBAY OR CALCUTTA where our clients have their establishments.

If all this sounds interesting, do send us your proposal citing code No. NKM/A-1014. We will appreciate relevant details of your field of specialization. We look forward to hear from you.

DATAMATICS STAFFING SERVICES
Post Box No. 106 G.P.O. Bombay-400 001.

Diason

HINDUSTAN ZINC LIMITED

(A Govt. of India Enterprise)

UDAIPUR-313001

REQUIRES

GENERAL MANAGER (MATERIALS)/
CHIEF (MATERIALS)

(Scale : Rs. 6250-175-7475)/
(Scale : Rs. 6125-175-7350)

HINDUSTAN ZINC LIMITED engaged in production of major non-ferrous metals, like Zinc, Lead, Silver and by-products like Sulphuric Acid, Phosphoric Acid, etc., is a multiunit Company having mines/smelters in the states of Rajasthan, Andhra Pradesh, Bihar and Orissa and is poised for further large scale expansion. It invites applications from those Indian nationals who are result oriented with proven managerial/professional ability.

QUALIFICATION & EXPERIENCE :
The incumbent should have Degree in Engg./P.G. in Management Science with a minimum of 15 years experience, in the field of Material Management and allied areas in a large multiunit Public Sector Company or an equivalent position in a large Private Sector organization. He should have handled material functions, including development of material systems/manuals; inventory control, procurement of large equipment/spares & stores etc. independently for at least 5 years. Candidates having good knowledge of computerization of materials management functions, vendor rating, import of equipment/spares etc. would have an added advantage.

AGE :
Below 45 years as on 1.6.1992, relaxable in respect of deserving candidates/SC/ST candidates.

Besides pay and dearness allowance, the posts carry fringe benefits like Leave Travel Concession, Reimbursement of Local Travelling Expenses, Medical Aid for self and family, CPF, Gratuity, Leave Encashment, Group Insurance, Company's Accommodation and such other benefits as are generally available in Public Sector Undertakings.

Those employed in Government/Semi Government/ Public Sector Organisations should apply through proper channel.

Prescribed application forms obtainable from the Company Secretary, **Hindustan Zinc Limited, Yashad Bhawan, Udaipur-313 001,** by sending a self-addressed envelope of 23 × 10 cms size duly stamped (Rs. 2/-), should reach the Company Secretary along with a crossed Indian Postal Order for Rs. 8/- (Rs. 2/- for SC/ST candidates) drawn in favour of **"Hindustan Zinc Limited, Udaipur"**, by **20.6.92.** Candidates called for interview shall be paid air fare by shortest route from their place of residence to the place of interview and back

PR/C/10/92-93

SESA GROUP

SESA GOA LIMITED

Need for its Pig Iron Plant, Amona, Goa

Deputy Manager – Electrical.

He should be a Graduate Electrical Engineer of around 35 years of age and should possess about 8 to 10 years relevant experience. He must have experience in P.C.C'S., M.C.C.'S., Relays & Protection, Interlocks & Distribution Systems. Exposure to Boiler & Turbine and knowledge of P.L.C. will be added qualification.

Diesel (Automobile) Engineer.

He should possess about 10 to 15 years experience on 3.5/4 M.W. Russian Diesel Generating sets. Marine Engineers with requisite experience will be preferred.

The positions carry attractive salary and benefits.

Applications giving full details should reach within 7 days of this advertisement to:

General Manager-Personnel
SESA GOA LIMITED
Altinho-Panjim, Goa: 403 001

DAZZAL/TAG/92.3

SHRIRAM FOODS & FERTILISER INDUSTRIES

TERRITORY SALES REPRESENTATIVES – CONSUMER PRODUCTS

SHRIRAM FOODS & FERTILISER INDUSTRIES, located in Delhi, is a professionally managed unit of SHRIRAM INDUSTRIAL ENTERPRISES LIMITED. It is the largest producing unit of Vanaspati in India and also manufactures Refined Oils, Soap & Heavy Chemicals. The annual turnover is Rs. 350 Crores.

The company needs dynamic Territory Sales Representatives for its foods division to be located at various places in Eastern India

Applicants must be graduates in the age group of 22-27 years, with good command over spoken/written English and fluency in local language. Persons with selling experience of consumer products will be given preference.

The selected candidates will be responsible for sales in their designated territories and will be required to travel extensively.

Salary will compare with the best in the industry and excellent career growth prospects exist for result oriented personnel.

Interested candidates may send their applications within ten days, with complete bio-data, giving details of qualifications, work experience, salary drawn, alongwith a recent passport-size photograph to:

Personnel Department
Shriram Foods & Fertiliser Industries
Najafgarh Road (Near Zakhira Post Office)
New Delhi-110 015.

A DIVISION OF SIEL SHRIRAM INDUSTRIAL ENTERPRISES LIMITED

PRESSMAN

Bhandari Builders (P) Ltd.

Ours is a Civil Engineering Company undertaking industrial contracts in India and Overseas. We require the following staff for our projects in India.

Senior Engineer — 2 Nos—Diploma Holder having min 10 yrs experience or Graduate engineers with 8 yrs experience, capable of handling part of the site independently.

Quantity Surveyor — 2 Nos—Min 8 yrs experience and be familiar with IS 1200.

Foreman/Asst. Engineer — 4 Nos—Min 10-12 yrs experience in RCC works.

Junior Engineer — Min 3 yrs experience in execution of civil works.

Stenographer — 2 Nos—Min 6 yrs experience as steno and be familiar with office filing systems.

Apply in full confidence with complete biodata at:

308, Raheja Chambers,
12 Museum Road,
Bangalore-560001.

Arc Advtg.

SENIOR MANAGER – HRD

(MS/5867)

Rajgangpur (Orissa)

Orissa Cement Limited, manufacturer and marketeer of a range of high quality Cements and sophisticated Refractory products wishes to recruit a senior professional at its plant at Rajgangpur (Orissa). The company has an employee strength of 4000 people, and a turnover of Rs. 180 crores. At Rajgangpur, Orissa Cements have a fully developed residential colony with all facilities like housing, education, entertainment etc.

The incumbent will be responsible for developing and effectively implementing HRD policies at the works covering manpower planning, recruitment, performance reviews and career/ succession planning. In addition he will be responsible for training and personnel development functions.

Applicants should be graduates in any discipline, with additional qualifications in personnel management and should have 15 years experience in HRD/Personnel functions of reputed organisations.

Preferred age : 40 years.

Please apply within 7 days to :

A F Ferguson Associates
Hansalaya, Barakhamba Road
New Delhi 110 001

giving full details of age, qualification, work experience, salaries drawn and telephone contact numbers. All applications and envelopes should be marked with **'MS' number.**

IMPORTS PROFESSIONALS

Our client is one of the most upwardly mobile Business Group with a substantial presence in diverse industries including some of the large projects in the core sector industries. Export-Import has been identified as a key thrust area and targeted growth plans have been chalked out with a view to acquiring a position of pre-eminence in the industry. The Group is financially very sound, enjoys an excellent reputation and is known for its pragmatism.

The Group will be exporting a range of products. Plans for imports include polymer-based raw materials, food stuff, steel scrap, dry fruits and any other items. We are seeking **Import Trading Specialists** in any of the aforesaid items with at least 5 years relevant experience. They will independently manage Imports functions of their products as individual profit centres.

EXCELLENT TERMS INCLUDING PROFIT SHARING IS ENVISAGED.

The position could be based at DELHI, MADRAS, BANGALORE, BOMBAY OR CALCUTTA, where our client have their establishments.

Please write in strict confidence soonest citing Code NKM/A-1013 to:

DATAMATICS STAFFING SERVICES
Post Box No. 106 G.P.O. Bombay 400 001.

Diason

Analytic

A fast-expanding, professionally-managed precision light engineering **multinational** company of repute, a leader in its line of business, manufacturing a wide variety of sophisticated electro-mechanical products has retained our services for selection of purchase professionals having **sound techno-commercial aptitude**, **market knowledge** and **effective leadership skills. Posting: Calcutta.**

MANAGER – PURCHASE & VENDOR DEVELOPMENT

Castings, forgings, machined components

Must have the ability to plan and organise timely purchase of 3000/4000 items for **jobbing/ batch production** of diverse products consisting of **ferrous,non-ferrous castings/forgings, precision machined components, rubber and plastic mouldings, raw materials etc**. He must have knowledge of a large vendor network to ensure development of reliable sources of consistent quality and delivery. A **self-starter** with drive and initiative, should be a graduate engineer with 10/15 years relevant hands-on experience in a light engineering industry of repute.

ENGINEERS - PURCHASE & VENDOR DEVELOPMENT

He should be a graduate/diploma engineer having around 4/7 years hands-on experience in purchase & vendor development of engineering items, **mentioned above**. Ability to guide the vendors technically will be essential.

The company offers attractive salary, perquisites & retirement benefits, which will be commensurate with the quality and length of experience and will not be a limiting factor.

Please send your resume in strict confidence to —

Tushar Basu, Director

Analytic Consultancy Bureau Private Limited

P-34, Block-H, New Alipore, Calcutta-700 053, Phone: 78-7550 / 45-8169

NATHPA JHAKRI POWER CORPORATION LIMITED

(A Joint Venture of Govt. of India and Govt. of Himachal Pradesh)

Emerging rapidly on the national power scene, NJPC is currently engaged in the execution of its first gigantic Nathpa Jhakri Hydro Electric Project of 1500 MW at an estimated cost of over Rs. 2,700 crores with another 800 MW Kol Dam Project in the pipeline envisaging a capital outlay of Rs. 1,300 crores with many other projects to be undertaken in Satluj river basin in Himachal Pradesh.

For its Project Site at Nathpa Jhakri, NJPC is on the look out for a **dynamic person of proven competence and ability** for appointment as

GENERAL MANAGER (PROJECT)

Qualification and experience: The candidates should have Degree in Civil/Electrical/Mechanical Engineering from a recognised university/institute of India. Other things being equal, preference will be given to Civil Engineering graduates. Post-graduate Degree in engineering or Business Management or equivalent Diploma in Business Management would be an added advantage. The candidates should have minimum post-qualification executive experience of about 20 years out of which atleast two years as Deputy General Manager/Additional General Manager in the IDA pay scale of Rs. 3000-100-3700 (pre-revised) or its equivalent or two years experience as Chief Engineer, on a large capacity power project, preferably hydro. Proven experience in investigation, planning, design and engineering, construction and project management is essential. Substantial experience in civil construction of dam and underground works such as tunnels, underground power house, erection & commissioning of hydro power stations, etc. will be an added advantage. The candidates should have demonstrated track record of performance with specialisation of Project Management Systems with experience in multi-disciplines besides ability to lead a team of professionals and engineers.

Responsibility: The General Manager will be overall incharge of the Project and responsible for construction, erection, commissioning of the Project/station and meeting the pre-determined schedules with respect to time, cost and quality.

Age limit: 50 years.

Compensation: The post carries pay scale of Rs. 6700-200-7900 + IDA as applicable from time to time. Depending upon experience and overall suitability, initial pay can be fixed at a higher stage in the scale. In addition, perquisites like company accommodation at Project Site, Gratuity, CPF, Group Accident Insurance, Encashment of Earned Leave, LTC, etc. would be available as per Company's rules.

General: 1. To and fro Ist class rail fare will be paid to outstation candidates called for Interview.

2. Management reserves the right to raise or lower the job specification in deserving cases at its discretion.

Applicable to SC/ST candidates: 1. Relaxation of age limit by five years will be applicable as per Government's directives, and by one year experience subject to sending caste certificate alongwith application.

2. SC/ST candidates are exempted from payment of application fee also.

How to apply: Candidate desirous of applying may send their applications typed on plain paper exactly in the following proforma. Applications not made on this proforma are likely to be rejected. (1) Post applied for (2) Name of the candidate (3) Father's Name (4) Category (General/SC/ST) (5) Address for communication (6) Place and date of birth (7) State to which belong (8) Academic/professional qualification from High School onwards with title of the Course/Degree/Diploma and name of the institution, year of passing and percentage of marks/division (9) Details of present and past employment indicating (i) name of the employer, (ii) post held from time to time with pay scales and designations shown separately for each post and (iii) details of nature of post qualification experience against each post held. Application should be submitted alongwith a latest passport size photograph and crossed postal order or bank draft of Rs. 25/- drawn in favour of **'Nathpa Jhakri Power Corporation Limited'** payable at **Delhi.** The application should be addressed to **Director (Personnel), Human Resources Management Division, NJPC, 2nd Floor, Bhai Vir Singh Sahitya Sadan, Bhai Vir Singh Marg, New Delhi-110 001.**

Last date: 10.7.92 Advt. No. 4/92.

On envelope, please superscribe the name of the Post.

HEAD OF MARKETING

Bombay **MS/6012**

Associated Stone Industries, a well established public limited company, engaged in the production and sale of Kotah stone, wishes to recruit an outstanding professional to head their marketing operations. The company is highly profitable and a leader in terms of quality and market share.

The incumbent, who would report to the President of the company, will be responsible for developing and implementing marketing strategies and plans, strengthening the sales and distribution, organisation and infrastructure, directing the launch of new products etc.

Applicants must be result oriented professionals (preferably MBAs) with at least 10-15 years marketing and sales experience in consumer products including senior level experience of at least 3-5 years. Those with experience in building materials would have a distinct advantage.

Remuneration is attractive and shall not be a constraining factor for the right candidate. Please apply in strict confidence within 10 days to:

A.F. Ferguson Associates
P.O. Box 1786
Bombay 400 001.

giving full particulars of age, qualifications, experience and salaries drawn. All applications and envelopes should be marked with the relevant MS number.

DIRECTOR – EXPORTS

Prominent Business Group – Asset Base Rs 800 Crores

BOMBAY **PROFIT SHARING + UNMATCHED TERMS**

Our client is one of the most upwardly mobile Business Group with a substantial presence in diverse industries including some of the large projects in the core sector industries. The Group has a strong manufacturing base in the engineering industry and will be investing in very large multi-crore projects in the near future. Exports has been identified as a key thrust area and targeted growth plans involving substantial outlays have been chalked out.

Plans for Exports cover a wide range of products – **engineering, textiles, dyes and chemicals, commodities, leather, steel, electronic goods, handicrafts, and any other items**. Each of these will be managed as a profit-centre by specialist professionals in their respective fields. Director Exports will oversee the entire activities, provide leadership and guidance to the profit-centre managers and ensure synergy in diverse activities. Business Development at the highest level and creation of additional profit centres will merit close involvement.

We are looking for a highly seasoned exports professional with an extensive experience of over 15 years covering a range of products. Excellent leadership qualities and a proven track record of Business Development are pre-requisites. Preferred age: around 40.

WE ALSO INVITE COMMUNICATION FROM SPECIALIST PROFIT CENTRE MANAGERS KEEN ON MANAGING THEIR LINE OF BUSINESS.

Please write in strict confidence CITING CODE NKM/A-1012 to:

DATAMATICS STAFFING SERVICES
Post Box No. 106 G.P.O. Bombay-400 001.

Diason

DUNLOP

INVITES HI-PERFORMANCE PROFESSIONALS FOR APPOINTMENT AS

FINANCE DIRECTOR

To participate in ambitious reorganisation, expansion and diversification plans, we need a Chartered Accountant with wide experience at senior level in Treasury operations, Integrated Financial, Management and Cost Accounting, with proven strength in Financial Audit & Systems.

He should not only possess strong leadership qualities and organisational abilities but be willing to seek innovative solutions to off-beat problems.

Importance will be attached to knowledge of Capital Markets, Institutional processes and familiarity with Direct and Indirect Taxation.

Credit will be given to PGD Holders in Finance.

He will be located at corporate headquarters in Calcutta.

He should be above 40 years of age.

The compensation package will be tailor-made to talent, merit and experience.

Please apply in strict confidence within two weeks to

Managing Director
Dunlop India Limited
Dunlop House
57B Mirza Ghalib Street
Calcutta 700 016

R/Radiant/DUNLOP/2502

Our Clients, a Major Shipping Agency House with its Head Office at Bombay handling internationally large number of container lines with interest in other related activities such as Chartering, Frieght forwarding, etc. have retained our services to locate :

GENERAL MANAGER — NORTH INDIA

Based at Delhi, the individual not less than 35 years of age would besides a preferable professional qualifications have a proven track record over the last 8 - 10 years in shipping, freight forwarding or allied industries.

Our Client would offer a professional working environ besides a competitive compensation package which may include an Accomodation and a Car.

Interested individual may write to us at the earliest with a detailed C.V. to :

M/s. Ayer & Associates

9, Zaveri Building, 1st Floor, Raja Ram Mohan Roy Road, Bombay 400 004.

APPOINTMENTS

INDIAN COUNCIL OF MEDICAL RESEARCH

Applications are invited upto 30th June, 1992 for the post of Assistant Director, in the scale of pay of Rs. 3700-125-4700-150-5000, on purely temporary leave vacancy basis at the Council's Institute of Cytology and Preventive Oncology, New Delhi.

Qualifications & Experience: Essential: a) MBBS/1st class M.Sc. in Life Sciences/Master's degree in related discipline with 12 years reserch/teaching experience or M.D (Pathology)/Ph.D.(Life Sciences) with 10 years research/teaching experience. b) Original work as evidenced by publications.

Job requirements: a) Planning & implementation of research programme in the field of Cytopathology and related subjects. b) Diagnostic cytopathology in referral cases.

Age:- Below 45 years. SC/ST candidates allowed relaxation in accordance with Govt. of India Rules.
Allowances as per Central Govt. rules are admissible on the above pay scale. Private practice is not allowed. However, NPA as per rules of the Council is admissible to Medical graduates only.
Candidates called for interview will be paid 1st class railfare by shortest route, on production of documents.
Applications from employees working in Central/State Govt. Deptt/Public Sector Undertaking and Govt. funded research agencies must be forwarded through proper channel.

Application forms can be obtained from the office of the **Director General, Indian Council of Medical Research, Ansari Nagar, Post Box No. 4508, New Delhi-110 029.** Forms duly completed should be sent to the Director General, Indian Council of Medical Research, Ansari Nagar., Post Box No. 4508, New Delhi- 110 029 with a crossed IPO for Rs. 8/- payable to the Director General, ICMR, New Delhi. SC/ST candidates are exempted from this payment.
Incomplete and late applications or without postal orders will not be entertained.

राष्ट्रीय शिला यान्त्रीकी संस्थान (कोलार)
NATIONAL INSTITUE OF ROCK MECHANICS (KOLAR)

NIRM

Champion Reefs P.O., Kolar Gold Fields 563117, Karnataka

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Dated: 26th May, 1992. REGISTRAR

भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

1982 - 1992

AUDITED BALANCE SHEET AS AT 31ST MARCH, 1992*

LIABILITIES

	31.03.92 Rs.
1. Capital	2,961,518,115
2. Reserves	1,475,395,115
3. Profit & Loss Account	100,000,000
4. Notes, Bonds & Debentures	4,539,500,000
5. Bills Payable	—
6. Deposits	—
7. Borrowings	11,198,128,847
8. Current Liabilities & Provisions	1,601,443,487
9. Other Liabilities	2,026,553,962
10. Reserves for possible loan losses	775,960,895
Total	24,678,500,421
CONTINGENT LIABILITIES Acceptance,Guarantees, Endorsements & other obligations	12,142,300,000

ASSETS

	31.03.92 Rs.
1. Cash and Bank Balances	1,503,241,356
2. Investments	2,834,858,750
3. Loans & Advances	14,400,949,341
4. Bills Purchased Discounted, Rediscounted	1,760,000,000
5. Fixed Assets	103,837,387
6. Other Assets	4,075,613,587
7. Profit & Loss Account	—
Total	24,678,500,421

NOTE: Foreign Currency bank balances equivalent to Rs. 14,738,888,507 held on agency account and the corresponding amounts payable, subject to fulfilment of certain conditions, are not included in the above Balance Sheet.

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1992*

EXPENDITURE

	Rs.
1. Interest	1,132,112,299
2. Credit Insurance	7,417,961
3. Staff Salaries, Allowance etc. and Terminal Benefits	19,692,108
4. Directors' and Committee Members Fees and expenses	21,601
5. Audit Fees	60,000
6. Rent, Taxes, Electricity and Insurance Premia	13,709,176
7. Postage, Telegrams and Telex	8,343,105
8. Legal Expenses	644,066
9. Other Expenses	45,409,909
10. Depreciation	26,526,615
11. Transferred to Reserve for possible loan losses	161,609,000
12. Profit carried to Balance Sheet	375,631,209**
Total	1,791,177,049

INCOME

(Less provision made during the year for bad and doubtful debts and other usual and necessary provisions)

	Rs.
1. Interest and Discount	1,767,283,662
2. Exchange, Commission, Brokerage and Fees	20,322,754
3. Other Income	3,570,633
4. Loss carried to Balance Sheet	—
Total	1,791,177,049

** of which Rs. 27,56,31,209 is tranferred to Reserves and Rs. 10,00,00,000 is payable to Government as dividend on capital.

* Abridged and relates to the General Fund

THE FIRST TEN YEARS: HIGHLIGHTS:

- **Business grows annually by 30 per cent**
  - Loan sanctions increase by 30 per cent. Disbursements increase by 32 per cent. Loan outstandings increase by 32 per cent. Guarantees issued increase by 24 per cent.
- **Export bids increase annually by 44 per cent**
  - Export bids approved aggregate Rs. 50,000 crores (approximately).
  - Export contracts financed aggregate Rs. 6000 crores (approximately).
  - Exports to 60 countries.
- **Export markets, products diversify**
  - New markets : Malaysia, Indonesia, Oman, Thailand, Mauritius, North America, Western Europe.
  - New products: Design and supply of lignite handling systems, an example of a turnkey project to Thailand; a 58 km double track railway line laying project in Malaysia, an example of a construction project.
  - Services contracts involving oil exploration in Indonesia and Oman.
  - Auto parts, herbal health care products to W. Europe, examples of product exports.
- **Components of our strategy**
  - Competitive finance for product development; investment capital, export marketing and term export credit.
  - Export advisory services.
  - Analytical research on markets and export opportunities.

All a part of a composite strategy

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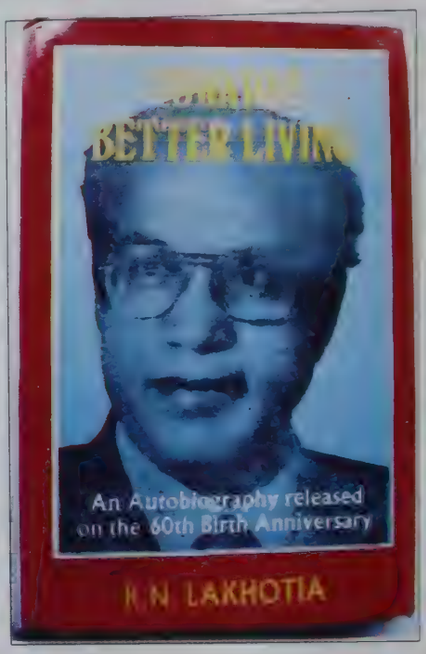
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WORKING WITH THE BIRLAS

(Towards Better Living; *by R.N. Lakhotia; Asha Publishing House, New Delhi; 1992; pp 300; Rs 99.)*

I was appointed to work in the concerns under the direct supervision of Shri Laxmi Nivasji Birla, the eldest son of the renowned industrialist Shri Ghanshyam Dasji Birla. When I joined the Birla organisation I had no idea of the internal working of the Birla House. I thought that I would be the senior most income-tax advisor of the entire Birla organisation. I did not have any idea that the different companies and organisations belonged to different brothers and their establishments were absolutely different from one another. Anyway I had to serve. Hence I started my service under the direct supervision of Shri Laxmi Nivas Birla and his only son Shri Sudarshanji Birla who later become the president of Ficci. I was entrusted with the work of looking after the income-tax matters of New Asiatic Insurance Co and was appointed as a senior executive officer of the coal department of the Birlas.



Though I was given charge of looking after the administrative and other matters of the coal department, I was interested in income-tax matters only and not in the administrative matters. Sometimes I also went to inspect the coal mines along with Shri Sudarshanji Birla. Once it so happened that I and Shri Sudarshanji Birla were travelling by train and he was sitting silently. To remove his boredom I just offered a cotton piece filled by Itra i.e., indigenous perfume, to him and said, "Please keep it in a corner of your ear. This would remove your boredom and make you feel happy." When I told this incident to my colleagues they were surprised. They advised me not to do so with the Birlas.

Once, the senior officials of the Birla organisation were invited with their wives for dinner. We were not familiar with the social customs at that time. My wife sat near Mrs M.P. Birla and started talking to her. After some time she found that Mrs Birla just went away from there without saying a single word. On our return from the party when this incident was narrated before our friends I was advised that the wife of a senior officer was not supposed to sit near the Birla family ladies and that it was not desirable to have free conversation with them. I realised a great deal of difference in the social life I led while in government service and in the private service.

I was also told by my colleagues that in the Birla organisation the senior officials were often abused by the senior Birlas. But I decided that I would resign and would not compromise my self-respect if such an event took place. I have no hesitation in saying that I was lucky that I did not have any such unpleasant experience.

The genre of business autobiographies is virtually unknown in India. What we have had available so far are basically commissioned biographies or dry commemorative corporate histories, also commissioned. Against this backdrop, 1992 promises to be different. While the biographies of J.R.D. Tata and Sam Pitroda recently published have been (legitimately!) charged with being somewhat too uncritical of their respective subjects, what one looks forward to with not a little expectation are the forthcoming firsthand stories of H.P. Nanda, Ajit Haksar, T. Thomas and M.S. Oberoi (the last as told by Bachi J. Karkaria).

Last month, two less tom-tommed autobiographies were published: one from industrialist M. Nath and the other from prolific tax consultant R.N. Lakhotia. While neither can claim any literary merit and both fall prey to the temptation of ennobling the trivial, these two books nevertheless have their use. They provide valuable insights into some of the ground-level realities of Indian business which are rarely spoken of or written about publicly. Both autobiographers will doubtless concur that they are no intellectual sophisticates; as such, the two extracts which follow reflect unfiltered practical reality.

TACKLING CORRUPTION

(Reflections of an Industrialist; *by M. Nath; EMC Foundation in association with Vikas Publishing House; 1992; pp 187; Rs 95.)*

One of the important things which a manager has to face and has to solve is 'corruption.' I have faced this dilemma several times. Nowadays, it has indeed become a part of business activity. Long back, I had got into a collaboration with a French consortium of contractors for railway electrification work in India. I was sure that our company would be awarded the job and that would have paved the way for our eventually becoming leaders in railway electrification in the same way as in high tension transmission technology. We were bringing the best available railway electrification technology from France. Unfortunately, I took a wrong decision of not paying any un-

derhand commission. The consequence was that the whole contract went to a British company which had no experience of this technology but which obviously thought that payment of commission was a part of business. We had also paid commission in the past to a numbered account in a Swiss bank with the permission of Reserve Bank of India for getting a foreign contract. If commission is allowed to be paid for foreign business, why should it not be allowed for Indian business?

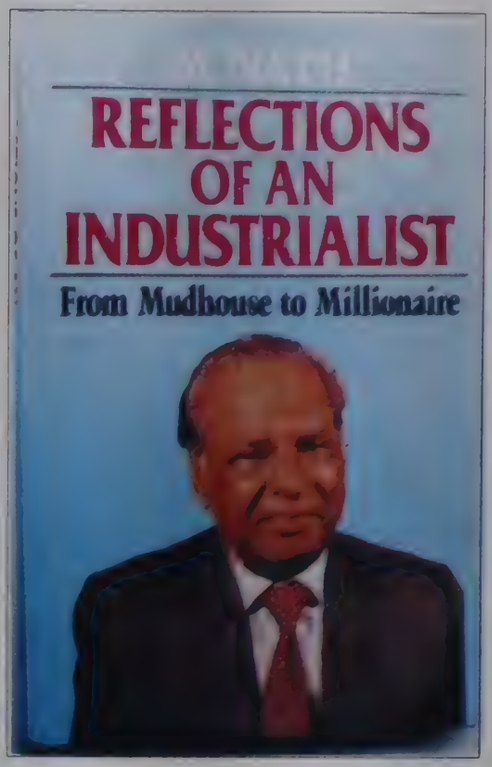
I had on various occasions faced the contentious matter of 'corruption or gratification,' which nowadays I have left to our management to tackle. One of the cases which I remembered was of a state electricity board whose chairman was a good friend of mine. The board had floated a tender for purchase of a substantial quantity of conductor. This tender for some reasons could not be decided for a long time. In the meantime, rates in the international market had fallen. The chairman of the board was hesitant to ask for any commission or gratification, but he pointed out to my officers that the prices had come down and if he called for fresh tenders he would get much lower prices.

Officers approached me and suggested that we should share this additional money with the electricity board officials and not allow the tender to be refloated. My officers suggested that we were going to incur a loss of about Rs 50 lakh and, as such, we should agree to do something for the purchase department of the electricity board. But rightly or wrongly — probably foolishly — I was not agreeable to such a proposition. The tender was reinvited and the new prices quoted were very low compared to our old tender and we lost the business.

The government has put checks and counterchecks such as public tendering and public opening of tenders for its purchases. But when the purchasing authority is determined to get something out of a transaction, he is always in a position to adopt methods and create situations by which he can award the purchase order to the party whom he likes.

Today, when I think about the whole thing, I wonder that when sharing excess profits with any business partner is regarded as normal and we do not bother about its ultimate effect on the customer or on society, and business houses always try to extract the maximum price for their products, then why should we have qualms about sharing such profits with those who influence business? Ultimately, it is the same society and the same people who are consumers and who have to bear the cost of excess profits, irrespective of who shares the excess profits.

I have also seen that commissions are freely allowed by the government on foreign business not only in transmission lines but also in so many other fields of business. For example, the airlines though owned by the government, like all other airlines pay



commission to people for giving them business in foreign currency. I have personal knowledge of this. Paying secret commission is part of the business. Certain expenses in the shape of special entertainment or gifts or cash money should be treated as fair business expenses. I think a time has come when we should clearly define, the boundaries rather than keeping this vague and continuing with this practice under the table. If after considering all dimensions of the issue, this practice is acceptable to society, we should make it legal and not consider it something abnormal.

ROLE OF A MANAGER

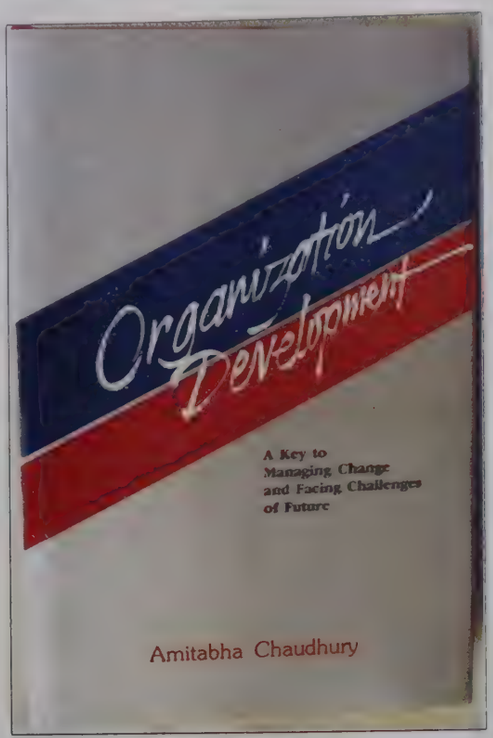
(Organisation Development; *by Amitabha Chaudhury; Relations, Calcutta 700 009; 1992; pp 192; Rs 150/US $25.)*

A full-time manager and a part-time academician has an unenviable role to play. His personal philosophy guides his style of management, whereas the classroom ambience brings out the idealist in him. How does one balance this? Chaudhury doesn't impose upon the readers yet another new theory on the subject of organisation development. This assurance at the very beginning makes it interesting reading.

This three-tier book opens with a preamble on his perceptions on the processes of business from the embryonic stage, i.e., planning, which is quite a significant exercise by itself. The information system should be well geared and flexibility is the hallmark of any successful plan, he says. How one agrees.

Thereafter, Chaudhury leaps to the shopfloor and, being a technocrat by training, handles all the inter-related manufacturing functions with finesse. "It is a new corporate culture that integrates the business organisation with society." How true! The role of an organisation is to meet the demands of both the publics, external and internal. Here the concept of social responsibilities of business has been briefly discussed. One wishes Chaudhury would have taken some pain to let us know about the various social audits undertaken by the Tatas periodically and their implications.

The chapter on organisation development and structure reminds one of the basic management inputs one received in business schools. Alfred P. Sloan's "federal decentralisation" structure has been mentioned, in passing, as having been the different hierarchial structures in an organisation. Collective commitment or "consensus" derived from dedicated groups is definitely the order of the day. Here one sees the angry Chaudhury. He admonishes those managers who conveniently forget to practise those lofty ideas they only preach to others. A leader is one who makes common people perform uncommon things. JFK, the Rockfellers, Du Ponts, Von Siemens, Fords *et al*; all leaders in their own rights, have been mentioned reverentially. Leadership, he opines, is a combination of different processes in the organisation to coordinate the activities of the various groups at various layers. The effectiveness of any leader is indeed directly dependent upon the performance of the subordinates/groups within the sphere of his influence.



Chaudhury has deftly dealt with "in" things like job enrichment, performance and potential appraisals etc which would surely create a favourable impression in the minds of the conscientious practitioners of human resources development. He has left the ideal role of the union and the management hanging, probably to stimulate readers' minds. He does make one think at the end of the day and therein lies the success of this book.

This is a well-researched, "cerebral" book and Chaudhury has shown the brilliance of an erudite educationist through the examples he has quoted. From the battlefield of Kurukshetra (Lord Krishna's advice to a confused Arjuna) to the plush boardroom of an Indian corporate giant, he travels with amazing felicity. The only time he falters is when some of the seemingly unending sentences and paragraphs come to us as a shock. An affordable paperback edition of this book is a must for young management students, many of them he teaches quite regularly.

□ B.P. Agrawal

Agrawal is chairman, ABC Consultants, Calcutta.

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THE BOTTOMLINE ON TOP-OF-THE-LINE TOGS

Good executive attire costs a pretty packet.

If somebody calls you a *dandy* today, smile and acknowledge the compliment. The word is rarely used in derision any more; "a man greatly concerned with smartness of dress." (The Collins English Dictionary) is admired, not derided.

And nowhere is this more true than at the office. In a corporate culture that gives undue weightage to presentation, a man is often judged by the clothes he wears. The smart executive uses his accoutrement to impress his boss, his clients and his colleagues.

Make no mistake; an agile mind, hard work and an MBA degree will still take you places — fancy togs cannot substitute for the basic corporate skills. But, other things being equal, they may take you that crucial half-step ahead of your competitors, at work or in the market.

Warning: the corporate warrior who hopes to use clothes as a weapon had better be prepared to invest a small fortune on his arsenal. Ordinary duds don't have much firepower, and heavy ammunition costs a pretty packet.

As in any battle, it pays to play safe. So steer clear of the tailor (unless you can afford Saville Row, London, which would be awesome artillery). Go for the big readymade labels — Louis Philippe, Van Heusen, Zodiac, Charagh Din and Park Avenue, not necessarily in that order. Now, where do you start?

■ With your shirt, of course. The minimum acceptables range from Rs 450 to Rs 600. The silks are obviously dearer; Rs 1,000-1,500. Charagh Din has one beauty that's tagged Rs 1,890.

■ Next, your necktie. Don't make excuses about the weather; ties are absolutely essential. Budget for anything between Rs 350 and Rs 600 — and don't settle for anything less than pure silk. If you're in a mood to splurge, check out Zodiac's top-of-the-line tipped ties, priced between Rs 700 and Rs 900.

■ Good terriwool trousers start at Rs 700 and can go as high as Rs 1,690 (Charagh Din). The dearest terrycot is priced at Rs 700 (Louis Philippe and Van Heusen). Avoid cottons; they inevitably wrinkle.

■ Now for the belt. Your trousers may fit you perfectly, but a good belt is a necessity. Zodiac's can go up to Rs 450, but Park Avenue's Rs 798 is the topper.

■ Park Avenue enjoys a virtual monopoly on readymade suits (Rs 4,000 tops), jackets and blazers (Rs 2,250), so don't waste your time anywhere else.

■ Finally, the shoes. Nothing short of pure leather, of course. Bata's the plebian choice (Rs 618-1,011), but Park Avenue (Rs 1122-1297) and Metro's da Vinci collection (Rs 1,295-1,895) are more acceptable.

The mathematics is simple; if you want the best (and most expensive) of everything, you're looking at a total bill in excess of Rs 11,000.

And that, mind you, covers just one set.

□ A correspondent

THAKORE'S PEOPLE



"Nothing works better than aspirin; so take nothing," jokes Dr Keki R. Sidhwa (65), one of the world's most well-known practitioners of the esoteric but increasingly popular therapeutic sciences of naturopathy (natural healing) and osteopathy (bone manipulation). Bombay-born Sidhwa who lives in Britain was recently in Bombay for a holiday.

A biochemistry and zoology graduate of Bombay University who went on to study naturopathy at the Edinburgh College of Natural Therapeutic Sciences, energetic Sidhwa practises what he preaches: he has not ingested any medicine — allopathic, homeopathic or ayurvedic — for 46 years. "The human body has an infinite capability to heal itself. We need to give our body the opportunity to heal itself. For this clean air, sleep, rest, exercise and honest — as opposed to foodless — food are all the help that the body requires," says Sidhwa.



SIDHWA: *Advocating naturopathy*

Sidhwa's discovery of the virtues of natural healing which is centred around fasting was made in dramatic circumstances when at the age of 14 he was struck down by pneumonia. When 5,000 injections over a period of two years failed to bring down his body temperature below 105°F, his mother's consequential revulsion against allopathic medicine instinctively drove her to putting him on a 16-day fast at the end of which he recovered completely. "It was then that I decided to investigate and study naturopathy," says Sidhwa.

Since then Sidhwa has done more than study naturopathy — he has practised it with rare skill and diligence curing over 26,000 patients, most of whom had been written off as incurable. Among his most memorable cases, he recounts the cure of a 34-year-old woman afflicted by multiple sclerosis who was blind in one eye and had no control over her bodily functions. "I fasted her for over 27 days giving her only water to drink. After three months she was completely cured and was capable of running 200 metres. Later she married and had two children," recalls Sidhwa.

According to Sidhwa, fasting, that is, complete stoppage of food intake is central to natural healing. But fasting needs to be complemented by sleep, rest and exercise — all under constant medical supervision. "The average 60 kg adult has enough bodily reserves to sustain a fast of 30 days. Fasting relieves the body of the task of digestion and enables it to concentrate on healing its afflicted parts and organs. However, long fasts must be undertaken only under medical supervision," explains Sidhwa whose exotically-named Shalimar Health Home in Newcastle-upon-Tyne was once upon a time (1952-64) a Mecca for nature cure enthusiasts.

A widower with three daughters Yasmin (30), a stage and television actress, Zena (28), a gymnastics teacher, and Ruxana (26), a BBC researcher, Sidhwa currently lives in Frinton-on-Sea near London where he is a consultant naturopath. He also lectures at the British College of Naturopathy & Osteopathy in London. "To safeguard the health of the people, India's greatest need is well-planned and efficient sanitation systems," says Sidhwa.

But the obvious is never obvious to the politicians and bureaucrats who shape our destinies in the centrally-planned Indian economy.

When shipping tycoon Vasant Sheth died on 6 May in Houston, Texas (US) at the relatively early age of 65, it was a sad day for Indian industry and for me personally. Indian industry lost perhaps its most knowledgeable captain of the vital mercantile shipping industry at a time when the economy is emerging from its isolationist phase and is on the threshold of becoming an active participant in international trade. There was much that Vasant, who steered Great Eastern Shipping as it grew from a company with an equity capital of Rs 20 lakh in 1948-49 to India's largest private sector company with an equity capital of Rs 71.31 crore and a gross block of Rs 552.55 crore (including 36 ships), could have contributed as Indian industry charts the uncertain waters of international trade. Particularly since as an international tramp shipping company Great Eastern is — and has for over three decades been — India's most profitable mercantile shipping company, bar none.

The great loss to Indian industry at a crucial time apart, Vasant's unexpected and untimely death was a hard blow for me personally, and I am sure to a large number of journalists of all ages to whom he was always accessible and to whom he provided many valuable insights and perspectives of the complex mercantile shipping business and the Indian economy. I have particular reason to remember Vasant because way back in 1977 he was the only captain of industry who agreed to cooperate with me in the shaping of India's first corporate cover story when the prototype issue of *Business India* was published for testing and restricted circulation. Mainly because of the subject and his patience and

THAKORE'S PEOPLE

kindness, the prototype issue with Vasant on the cover was a great success and *Business India* — and business journalism in India — slipped easily into the water and stayed afloat.

After that I interviewed Vasant several times for *BusinessWorld* and was always impressed by his sure grasp of international business and monetary trends as well as the deftness with which he put this knowledge to practical use as the great helmsman of Great Eastern. I don't entertain the slightest doubt that had Vasant and his highly competent managerial team not had to chart Great Eastern's growth under the constant niggling supervision of business-illiterate bureaucrats in New Delhi, they could have given the Greek shipping tycoons who dominate international mercantile shipping a run for their money.

A builder of institutions, characteristically, Vasant has left Great Eastern in charge of a well-knit and highly competent team of managers led by his well-tutored cousin K.M. Sheth. Great Eastern may yet play the role it would have under Vasant's stewardship at this critical time in the nation's economic history.

On the domestic front Vasant leaves behind his charming and gregarious wife Asha and his talented photographer-daughter Ketaki. To them the nation owes its condolences and deep gratitude for encouraging Vasant Sheth to become the builder of institutions that he was.

THE LATE VASANT SHETH & FAMILY: *A builder of institutions*



Despite its humanitarian and socialist pretensions, Indian society in general has little sympathy for the handicapped. The dominant attitude towards the handicapped is that it is their *karma* and they are left to fend for themselves. Well-managed institutions capable of developing the handicapped to become useful, productive members of society are conspicuously rare in the brave new socialistic pattern of society fashioned for post-Independence India.

That's why when a handicapped citizen succeeds in any field of endeavour, it is a cause for celebration. And young Jaipur-based Ajay Kumar Garg (24) whose exhibition of 60 traditional Rajasthan-school miniature paintings attracted large and appreciative crowds to Bombay's Kamalnayan Bajaj Art Gallery last month, has certainly succeeded. Most of the painstakingly worked miniatures (priced between Rs 1,000-9,500) were sold out within the first two days. "I am very encouraged by the positive response of Bombayites to my work. I plan to exhibit my new works here again in 1994," says Garg in unhurried and graceful sign language. Garg has been deaf and mute since the age of two — the consequence of medical negligence (injection reaction).

Garg's artistic talent was first noticed when he won a children's painting competition in Dholpur, Rajasthan at the age of four. This prompted Sualal, an artist in the court of Raja Hemant Singh of Dholpur, to take him under his wing. Several years later, after he had learnt sign language at Jaipur's Seth Anandilal School for the deaf and dumb and obtained a diploma in tailoring, he was taught the rudiments of painting Rajasthan-school miniatures by Asha Devi and Akhtar Hussein — both big names in this school — who were highly impressed with his eye for detail and aptitude.

When Jaipur's Mangalam Arts Emporium began to experience a demand surge for his miniatures in 1987, Garg developed the confidence to perfect his technique and stage his first exposition in Delhi in late 1991. The exposition was a grand success in which 144 of the 150 miniature paintings exhibited were sold. The recently concluded equally successful exposition in Bombay was his second exhibition. "In my next exhibition in Bombay I intend to paint contemporary life subjects utilising the techniques and discipline of the Rajasthan miniatures school," says Garg who lives in Jaipur with his supportive family comprising father Shiv Charan, mother Pravinlata, and brothers Sanjay (26), a civil engineer, and Vijay (23), a computer programmer.



GARG (SECOND FROM LEFT) & FAMILY: *Success despite handicaps*

• *The author is the former editor of* Business India, BusinessWorld *and* Debonair.

DOWN MUSIC LANE

If blues jazz is your idea of heaven on earth, check out the Maurya Sheraton's new watering hole. You know what to expect the moment you enter the foyer; the walls are covered with a collage of music scores and jackets from albums by such immortals as Louis "Satchmo" Armstrong, Ella Fitzgerald, Miles Davis, Charles Mingus and Chic Corea.

Inside, the ambience is distinctly 1920s Chicago, complete with mud-plaster walls, wrought iron chairs and barstools with leather upholstery, chimney lamps and an antique gramophone that plays 78 rpm records. Even the service staff are dressed for the period, in baggy trousers, double-breasted jackets and string ties. Such a place could only be called "The Jazz Bar."

Never mind that the live entertainment comprises a local jazz band of debatable quality, mime artistes and conjurers. Never mind that the menu has been designed, rather tritely, in the style of a newspaper — *The Jazz Times* (what else?).

Just sit back and let your mind drift back to the era when electric guitars were unheard of, when trumpet, saxophone and double bass ruled the airwaves.

OUTSIZED STUNT

Look at the accompanying photograph carefully. Now, which of the two red executive chairs is a dummy?

Answer: neither. The giant-sized model was made from the same materials that went into the normal version. What is more, Jumbo is every bit as functional as Junior — right down to its custom-made rollers.

The brainchild of Bhupendra J. Parmar, managing director of Parmar Bros Furnitech, the super-chair, occupies a large part of the company's "Design Eurotech" showroom at Bombay's Shivaji Park. It is certainly serving its purpose as a publicity gimmick; as they drive past the shop, suburban Bombayites slow down and stare.

Slightly built himself, Parmar obviously takes great delight in coming up with outsized creations. Sometime back, he presented a couple with a six-foot-tall acrylic feeding bottle to mark the birth of their child!

What Parmar intends to do with his giant chair is not clear; when the novelty wears off, it will probably have to make way for his next gimmick. But any megalomaniac who dreams of owning it someday had better be warned: the smaller chair is pricetagged at Rs 10,250 — try guessing how much Jumbo will cost!

THE OUTSIZED CHAIR: *For big shots only*





DAS WITH HIS WORK: *No stereotypes*

STRIKING IMAGES

Sujoy Das wowed Delhi last fortnight with "The Land of the Lotus Born," an exhibition of his photographic adventures in Sikkim. The Calcutta-based chartered accountant is one of the few lensmen who have managed to penetrate the state's closely-guarded "inner line;" he spent six weeks in north Sikkim, at altitudes in the range of 10,000 ft, braving the elements and shivering through freezing nights in huts and tents. But the photographs were clearly well worth the effort. The exhibition steered clear of the stereotyped images of Sikkim — orchids, verdant landscapes — and focused on its people. Particularly impressive was his documentation of the Lhenak Valley yak herdsmen and their migratory lifestyle.

Greatly influenced by the works of Raghubir Singh, Raghu Rai and Steve McCurry, Das has also captured some vivid images of the monasteries at Rumtek and Mount Kanchenjunga.

Das intends to take his exhibition to Calcutta next, and then on to Gangtok. He's also working on a pictorial book on Sikkim for a Delhi publisher. He hasn't yet finalised plans for his next project, but it probably won't be in his favourite state. "Maybe I'll pick something closer home this time," he says.

WORKSTYLE

UNWINDING AT THE OFFICE

A novel or some yoga can help combat stress at work.



Four or five times a day, vice-president (personnel) Arun Joshi puts his files aside to walk through the corridors of Cadbury's Bombay headquarters. These aren't impromptu inspections — the sort some executives undertake in order to nab juniors who goof off when they should be working. Joshi uses his walks to relieve himself of the pressures of his work.

Forced to cope with increasing stress at work, today's executives can no longer afford to wait till they get home to refreshen themselves. Like Joshi, they are finding ways to take a little time off and relax during the course of a working day. Says psychiatrist Vihang N. Vahia: "Concentrating on work-related problems for protracted periods of time only amplifies stress. Taking short breaks helps prevent the build up of pressure."

It also helps enhance the productivity of the individual concerned. Vahia points out that major corporations in developing countries actively encourage "diversionary activities" for their staff. While it will probably be a while before Indian companies follow suit, more and more senior managers are coming around to the point that all work and no play isn't the best management policy. Says Escorts' chief general manager V.K. Gupta: "It is very important to relax during a heavy working day. Othe wise, the mind tends to get foggy ar the decision-making process is a fected."

Making most of lunch breaks. Exec tives traditionally use their lun breaks to unwind. But that isn't ways a good idea. If you're eating your desk, chances are that the pho will keep ringing, precluding any tempts to take your mind off wo And in executive dining rooms, t conversation is likely to be all sh which doesn't help either.

Not surprisingly, many sen managers tend to lunch out. Sa Vivek Pande, chief executive of Int

craft, the Bombay-based garments manufacturer: "Lately, I've been inviting old friends who work in the neighbourhood to a quick lunch. In addition to helping me keep in touch with them, these lunches also take my mind off work."

But one break often isn't enough. Psychiatrists recommend a period of rest before and after any high-pressure situation; an important meeting or presentation, for instance. Since it would be impractical for executives to get out of their offices three or four times a day (unless they are in sales or marketing, in which case they may sometimes utilise the time it takes to get back from a client's office to relax), many find other means to unwind without leaving the building.

A short walk inside the office or factory is the easiest way to take a break. Like Cadbury's Joshi, Balsara Hygiene Products vice-president S.K. Palekar often finds himself looking for an excuse to step out of his cabin. "Doing a small errand yourself helps you stretch your legs and gives you an opportunity to make social conversation with a colleague," he says.



Reaching out for personal, informal contact appears to be an almost reflexive way of leaving work behind without actually removing yourself physically. When Empire Finance managing director R.S. Ganguly finds himself under severe stress, he simply picks up the phone and calls home. "I speak to anyone in the family who picks up the phone and we talk about anything but work," he says.

Informal conversation in formal settings is always a good way to take some pressure off. Says Palekar: "I enjoy the lighter moments in office meetings." Carrying humour out of the boardroom and into his cabin is Deutsche Bank manager (merchant banking) B.K.Achan, who says he gets out of stressful situations by "laughing and smiling at myself."

Reading is, naturally, by far the most popular form of unwinding. Although many employers discourage employees from bringing novels and magazines to work, light reading is a good way to soothe high-strung nerves. The director (now retired) of a large multinational corporation admits that he frequently broke company policy on this subject. "I always had a Sidney Sheldon or Alistair Maclean tucked away in one of my drawers. When I felt particularly stressed-out, I'd read 10-15 pages and then put the book back. That way it sometimes took me six months to finish a book, but it certainly helped me relax. Of course, I made sure nobody knew about this!" Kotak Mahindra Finance vice-president Anand Desai recounts the advice he received from a senior a couple of years ago: "At least once a day, put your work aside and read something light — like a comic book." Intercraft's Pande devotes 30-45 minutes to read business journals like the *Harvard Business Review* every day. "I love the break in pace," he says. "Earlier, I used to do it consciously; now it's become a habit."

Indian Rayon senior vice-president (human resource development) P.N. Singh, on the other hand, *writes* books when he wants to put aside his work-related worries. "You could say that my books are born out of excessive stress," he says.

Relaxing hi-tech style. The advent of the personal computer has provided the executive with another way of taking his mind off work. Computer games like "PC-Man", "Space Invaders" and "PC-Pool" can be found in virtually any office that has a PC. But there are at least two elements of risk involved in computer games. First, they are often happy hunting grounds for viruses. And secondly, these games can sometimes be almost addictive.

Although the general consensus among medical experts is that physical exercise offers the best cure to (or prevention from) work-related stress, it doesn't seem very popular in this country. This is probably because most people equate exercise with sweat — and, by extension, stench. Another reason is that very few Indian executives have access to health clubs (which are usually attached to five-star hotels and are therefore ridiculously overpriced) or gymnasia (which are restricted to residential areas).

It is, however, possible to do light exercises in the office. Minerals & Metals Trading Corporation director (personnel & trade) B.B.L. Madhukar, for instance, does "a couple of yoga *asanas*" every once in a while. Glaxo India general manager (industrial relations) S.K. Gulati combats stress with a series of breathing exercises.

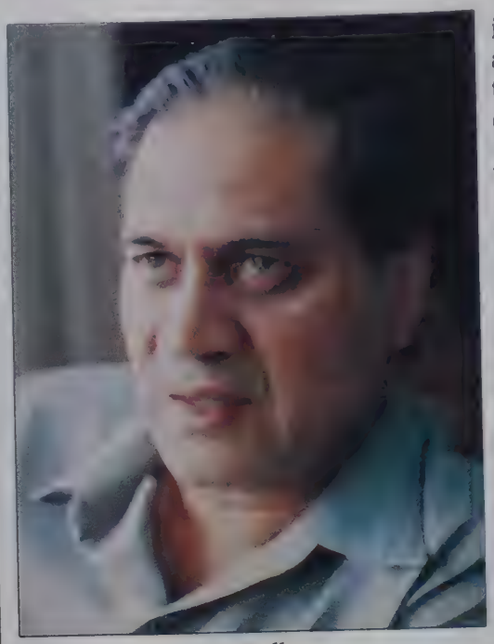
Exercises apart, some executives in Bombay are known to take time off and frequent art galleries. Reena Sahai, a manager at a small Bombay-based travel agency, admits to the practice. "I don't have time to browse, but even a short break is refreshing," she explains simply.

Quite clearly, more and more executives think so too — a trend companies will do well to leave alone.

□ Nonita Kalra and Mahasweta Ghosh Roy

Rahul Bajaj raised more than a few eyebrows last fortnight when he announced that the Indian Business Leaders Forum would step up activity in the fields of community and rural development. The wags promptly raised visions of the Bajaj Auto chief, accompanied by other captains of industry, touring remote villages to lecture the *panchayats* on sanitation and birth control.

Needless to say, nothing of the sort is about to happen. Cleaning drains and distributing free condoms remain the preserve of voluntary social service organisations. What Bajaj intends to do is bring industry leaders and social workers together for an exchange of views. "Indian businessmen have always viewed non-government organisations with suspicion," he says. And that is not a very happy state of affairs.



BAJAJ: *Conscience calls*

The Forum hopes to increase inter-industry interaction on community development to "integrate resources." In addition, Bajaj also hopes to round up a group of interested young managers and get them to help out in various community projects. This, he says, will make them "more conscious of their social responsibility."

Bajaj himself may not find time to devote directly to rural development projects, but he's doing his bit by coughing up the cash — Bajaj Auto has a Rs 27 lakh budget which is disbursed through a trust. And there's really no need for him to go out to the villages and supervise the digging of wells. As he puts it: "Whatever needs to be done will be done. I have nothing to prove. I will do whatever my conscience tells me to do."

An era came to an end at the Federation of Indian Chambers of Commerce & Industry (Ficci) on 31 May, with D.H. Pai Panandiker retiring after 30 years in the federation — 11 of them as its secretary general.

Nobody knows Ficci quite as well as Panandiker; he has been part of its evolution ever since he joined as assistant secretary in 1962. And nobody knows better how much it has changed over the years. "People have changed...: their outlook has become more market-oriented, more competitive," he says.

Perhaps. But hasn't the federation lost its premier position among Indian industry's forums to Confederation of Indian Industry (CII)? Panandiker doesn't think so. "The two bodies have different roles. Even today, CII largely represents the interests of the engineering industry. Ficci is more broad-based."

Panandiker now moves to RPG Enterprises as consultant. He will also be involved in the conference of the Confederation of Asian Chambers of Commerce in November, to be chaired by R.P. Goenka.

PANANDIKER: *End of an era*



Maureen Wadia didn't know anything about publishing when she took charge of *GladRags* as managing editor in 1989. "It was a challenge," she says.

As she looks back at her efforts today, she makes no effort to hide the pride. "When I came in, *GladRags* was boring. I revamped it into something interesting, something sensuous."

But what's really surprising is the fact that she finds the time to edit the magazine. Maureen was already rather hard-pressed for that invaluable commodity when she took up the assignment; running Bombay Dyeing's advertising department is a full-time affair. She managed to do both by keeping late hours and working harder. "I'm a workaholic... sometimes, I go to bed at four in the morning."

Amazingly, she also manages to devote some of her waking hours to social work — helping Mother Teresa raise funds for projects in Bangladesh and Sri Lanka, working at the Wadia Children's Hospital and the Wadia Women's Free Hospital.

And as if all that isn't enough, she's now looking for still more things to do! "I like to do ten things at one time," she says.

WADIA: *Rags to riches*



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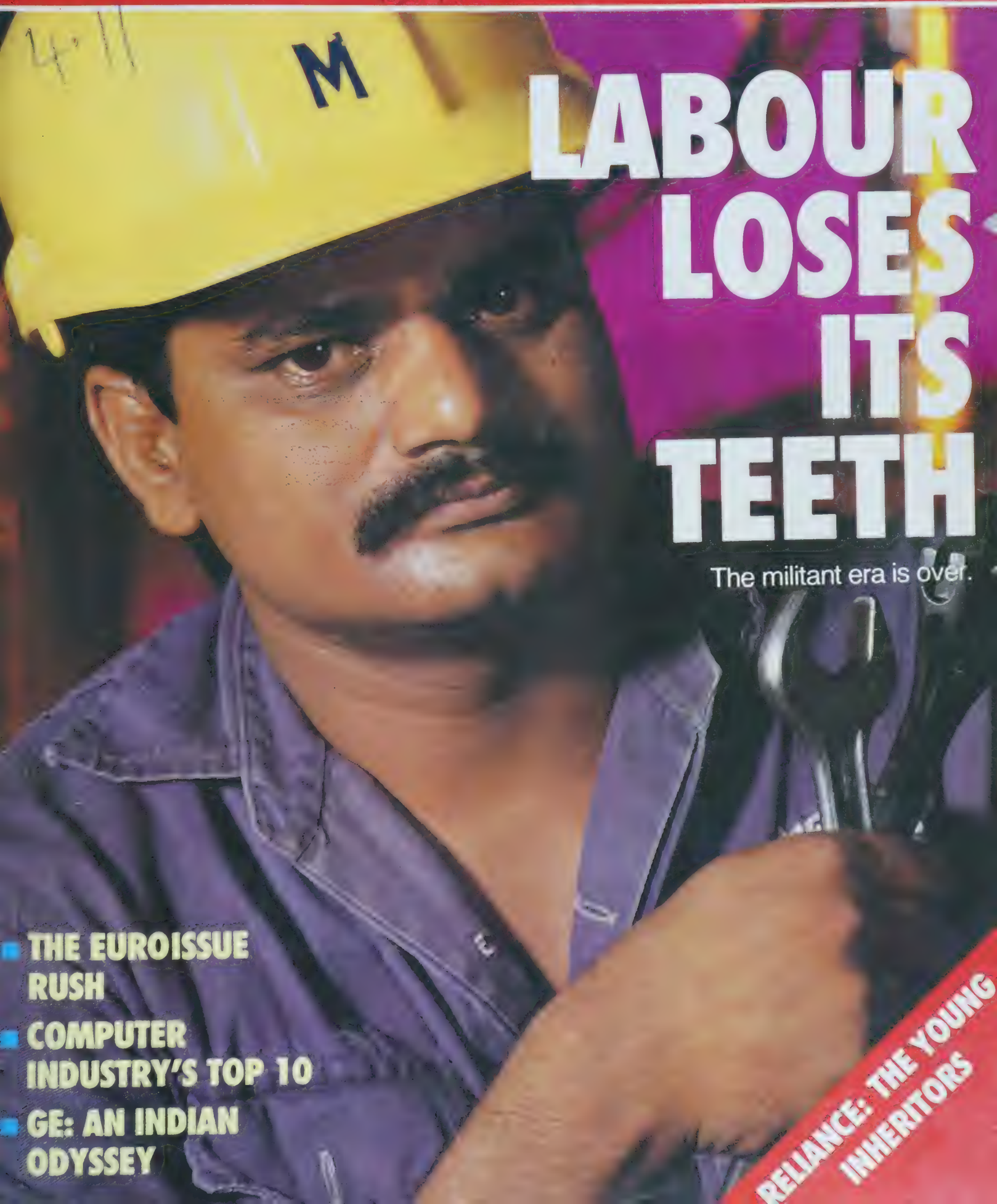


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NEW ISSUES: THE PRICE OF FREEDOM

BusinessWorld

THE MAGAZINE FOR INDIAN BUSINESS



LABOUR LOSES ITS TEETH

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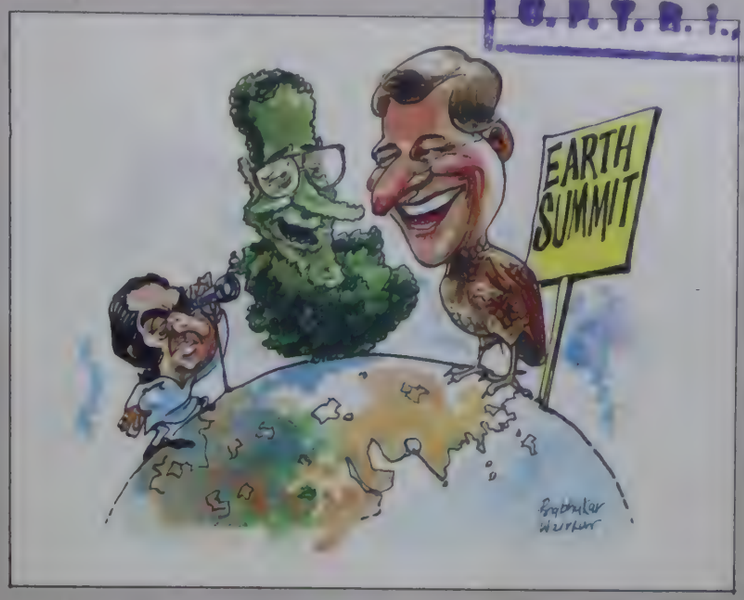
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BUSINESS QUOTES

14 JUL 1992
G.P.T.R.I., MYSORE



It's all about bushes and quails.

Environment minister Kamal Nath on the Earth Summit, quoted in The Times of India.

I am not the Mother Teresa of Indian business.

Dhirubhai Ambani, quoted in Time.

We were never good at selling consumer items. Soaps, spark plugs, paints or vanaspati were not my cup of tea. We have not closed down the units because they were set up by my grandfather.

Industrialist Y.K. Modi (of the K.N. Modi group) on concentrating on core businesses, quoted in The Sunday Observer.

The government and the press have taken my daddy away from me.

The late M.J. Pherwani's daughter Monica Jhaveri, quoted in Sunday.

People either retire or die by the time a case is finally decided in the courts.

T.N. Daruvalla, partner in Bombay-based patents law firm Jehangir Gulabbhai & Billimoria & Daruvalla, quoted in Business Today.

The Board for Industrial & Financial Reconstruction should improve its working before it is given more powers. It takes far too long to come to a conclusion.

PHD Chamber of Commerce president Raghupati Singhania, quoted in Business India.

High excise and customs duties are killing the company.

Maruti Udyog chairman & managing director R.C. Bhargava, quoted in The Economic Times.

All that we have lost is a bad workman.

Manu Chhabria on brother Kishore's exit from Shaw Wallace, quoted in India Today.

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COVER STORY

LABOUR: LOSING ITS TEETH

Over the last few years, a dramatic transformation has been taking place in the labour force. The number of strikes in the country has been steadily dipping. Even when they take place, many peter out. Some labour leaders privately acknowledge that the days of militancy are over.



LABOUR IS TURNING ITS BACK ON MILITANT ACTION

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IRON IMPETUS

Last month, iron ore exporter and shipbuilding enterprise Sesa Goa kicked off a 90,000 tonnes per annum pig iron plant — six months behind schedule. But managing director Antonello Girardi is hopeful the plant will touch 100% capacity in two or three months.

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The Rs 83 crore Goodricke group of tea gardens is less than half the size of star performer Tata Tea. Yet the group has outperformed Tata Tea on several counts.

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Top executives live out of suitcases in Bombay through the week, and spend the weekend at home in Pune.

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sWorld





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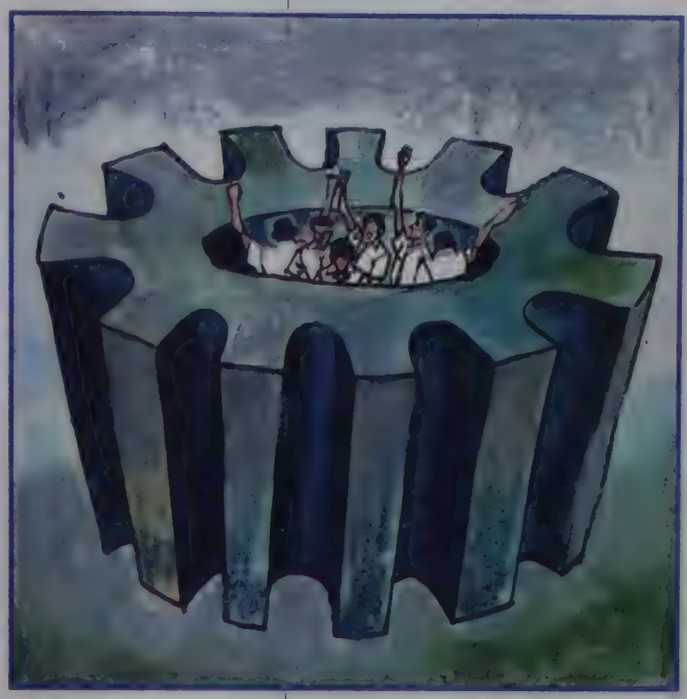
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CLINGING TO POWER



Last fortnight's industrial strike was not an example of trade unionism at its best but of politicking at its worst.

As the liberalisation momentum in Indian industry gains strength — God willing! — so also will the relevance diminish of the coterie among politicians who, while not members of the working class, presume to speak on its behalf. This coterie enjoys enormous clout today, for obvious reasons. Indeed, the strike call itself reflects the collective influence of these union bosses, not a few amongst whom have only tenuous claims to the title of labour leader.

Capital and technology inflows facilitated by deregulation and liberalisation will inevitably make Indian industry more efficient and, in turn, globally competitive. Consequently, job opportunities will increase in tandem with the inevitable upturn in the country's economic fortunes. There is only a relatively mild threat to the job security, in the broader sense, of organised labour. The real threat, though, is to the continued existence of pretenders masquerading as labour leaders. And last fortnight's strike was very accurately symptomatic of the latters' frustrations.

Clearly, the exit policy on which union bosses are currently declaiming pertains to their own impending exit and not that of the common worker. It is almost a certainty that the average retrenched blue-collared person will get a fair deal by way of compensation, retraining and redeployment. The National Renewal Fund will pay for this, although one must admit that the Centre has not been very lucid on the mechanics of how this fund will operate.

At the risk of stating a cliche, one cannot but re-emphasise that labour must necessarily utilise its energies for producing more goods, not less. To demonstrate union power by stopping work is an exercise in futility which evokes neither sympathy nor admiration. Besides, snipping off a fraction of a percent of the country's gross domestic product is hardly a very patriotic act. Such confrontationist tactics worked perfectly well in an era where government policies were issue and not market driven. That they will not work today is a basic lesson which union bosses must learn for themselves. Or else it will have to be taught to them.

The exit policy on which union bosses are currently declaiming pertains to their own impending exit and not that of the common worker

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Public Issue of 10,80,000—12.5% PCDs of Rs. 200/- each for cash at par aggregating Rs. 2160 lacs and 9,45,000—19% NCDs of Rs. 100/- each for cash at par aggregating Rs. 945 lacs.

PROJECT HIGHLIGHTS

- Reputed promoters — GSFC, GACL, GEB, PETROFILS.
- GAIL participation in Equity.
- Project of Rs. 237 crores to generate 145 MW of power using fuel efficient, gas-based, Combined Cycle Technology.
- No gestation-plant commenced commercial operation in combined cycle since 31/03/92.
- Sale of entire power generation tied-up with promoters.
- Assured returns to the Company as per Electricity (Supply) Act, 1948.

ISSUE HIGHLIGHTS

- CONVERSION ON ALLOTMENT—50% of each PCD of Rs. 200/- converted into 10 Equity Shares of Rs. 10/- at par.
- **ATTRACTIVE COUPON RATE ON NCDs—19% P.A.**
- PCDs and NCDs rated **"A + (A Plus)"** by CRISIL.
- Rating indicates adequate safety with regard to timely payment of interest and principal.
- Easy liquidity—Listing on the Vadodara, Ahmedabad, Bombay, Calcutta, Delhi and Madras Stock Exchanges.

RISK FACTORS

- Availability of natural gas, the main raw material, has a bearing on the operations of the Company. GAIL has committed to supply the entire requirement of gas.
- Gas based Combined Cycle Power technology is proven abroad but is relatively new to India.
- Changes in the Government Policy on Electricity pricing may affect the profitability of the Company.

ISSUE OPENS ON 13TH JULY, 1992

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If the Company does not receive the minimum subscription of 90% of the issued amount, the entire subscription will be refunded to the applicants within 90 days from the closure of the issue. If there is a delay in refund of such amount by more than eight days, the Company will pay interest @ 15% per annum for the delayed period.

LETTERS TO THE EDITOR



MISLEADING?

The Cover Story 'Widening ripples' on the securities scandal (*BW* 3-16 June 1992) was very comprehensive. The interview with the late M.J. Pherwani was doubtless a scoop. Nevertheless, I expected some more quotes from Harshad Mehta as it was his picture and his famous line ("I have done no wrong") splashed on the cover. To some extent, therefore, I'd say the cover was misleading.

Pesi Daruwalla
Bombay

NOT STEPPING DOWN

The Offstage piece 'Darbari's move' (*BW* 3-16 June) surprised me as I did not expect a conjectural report lacking any basis in fact appearing in a highly responsible and respectable magazine.

If you had only taken the trouble to ask me I would have told you that

- I was not stepping down from the chairmanship of Tata Chemicals and Tata Tea.
- I do not have to devote any more attention to Haldia Petrochemicals than I have always done.
- I do not believe in 'quid pro quos' — they are utterly distasteful to me.
- Manu Seth is where he is because of his own merit and his own free will. He holds himself personally responsible for his career and does not permit anyone to interfere.

D.S. Seth
Chairman & managing director
Tata Chemicals
Bombay

OVERHAUL THE SYSTEM

This refers to the Economy Comment 'Arms imports: crisis area' by B.B. Bhattacharyya (*BW* 20 May-2 June) where he questions the need for changes in the macroeconomic system. True, defence does siphon off huge quantities of our foreign exchange reserves; all the same it is an imperative in the potentially volatile subcontinent. West European countries, Japan etc, all bastions of the free market economy, have thriving economies despite massive defence expenditures.

Thus, if we are to see an economically strong India moving into the 21st century, an overhaul of the obsolete system is the need of the hour.

Mathew John
Bangalore

SHAREHOLDERS LOSE

This refers to the Cover Story 'Will the empire hold?' (*BW* 20 May-2 June). A lot of noise has been generated in the Tata empire ever since Ratan Tata took over the reins.

It seems he is immature and childish in his dealings. Like a school kid he met the prime minister and finance minister and cried for the removal of Tata Steel supremo Russi Mody. In my opinion, Mody's contribution is much greater than that of Ratan Tata.

As the Tatas wash their dirty linen in public, it is the shareholder who is ultimately left in the lurch.

Raman
Chief executive
Classic Management Consultants
New Delhi



RATAN TATA: *High decibel levels*

A FAUX PAS

The Banking & Finance write-up on stockinvest 'In investors' interest' (*BW* 3-16 June) was definitely informative. However, I would like to bring to your notice a faux pas. While the specimen shown is that of the South Indian Bank, the list of the banks in the box does not contain the name of this bank.

Sudha Narendran
Baroda

WRONG PRICE

Thanks a lot for featuring the launch of new Rasna Cola in the Ad&MarketingWorld section ('Going ga-ga over cola') in the *BW* issue dated 3-16 June.

Please note that there is a typographical error in the price of the 32-glass pack of Rasna Cola Cola, mentioned as Rs 42.50. The correct price of the pack is Rs 14.50 only.

Priya Raj
Account director
Mudra Communications
Ahmedabad

SICK HOSPITALS

This refers to the Business Information on 'Hospital ventures' by P.V. Satyanarayana (*BW* 22 April-5 May). The government is encouraging hospital projects because of the sorry state of affairs in state-run hospitals. Unlike in the west, where state-run hospitals are equipped with modern laboratories, operation theatres and diagnostic centres, their Indian counterparts are the opposite, for obvious reasons. No wonder then that our ministers prefer to be treated in hospitals abroad!

Arta Mishra
Cuttack

NOT RADICAL

The Economy piece on the public sector 'Going topless' (*BW* 3-16 June) was indeed revealing. The reason for so many public sector undertakings (PSUs) not having a man at the top is of course inept handling by the government. In this light Maruti Udyog chairman R.C. Bhargava's suggestion that the government dilute its stake to 50% or less is not as radical as it seems. It is the only answer to indiscipline, dishonesty and lethargy.

Amitabh Sinha
Calcutta

NOT YET GOING PUBLIC

More than one advertising agency is thinking of going public. This apparently includes Trikaya Grey, which has been toying with the idea for some time. According to the grapevine, the Ravi Gupta-headed advertising agency is drawing up plans to do so, in the process becoming the first agency to hit the capital market for funds. A leading financial institution has even drawn up a feasibility report. Next in line is an appraisal report.

When contacted, Gupta however said that a public issue was not immediately in the offing. The Trikaya Grey board had indeed looked into the possibility and that too quite seriously, but for good reasons had decided against making a public issue. "We are profitable enough to raise money internally to fund our growth," says Gupta. "At least for the next two years I don't foresee us going to the capital market."

Whether Trikaya Grey taps investors' purses or not is left to be seen, but at least a couple of other agencies involved in financial advertising are thinking of doing so. Watch this space, for more on all this.

POWER PLAY

After almost half a century, the Tatas are setting up a new power plant. Tata Steel is awaiting government permission to put up a Rs 900 crore thermal power station at Jamshedpur. The Jamshedpur Power Supply Corp, as it is called, is already registered in Patna. Tata Steel plans to start work on the first phase of the project by the end of the year. "We plan to buy the generating equipment either locally or import it. These things have not been finalised as yet," says a senior company official.

The decision to set up a power plant is prompted by the power requirements of the steel plant at Jamshedpur. The plant's current peak demand is 180 Mw. Once the third phase is commissioned, demand will rise to 250 Mw. "Our captive generation is between 130 Mw and 140 Mw. The rest we have to buy from DVC or the state electricity board," explains the official.

Tata Steel's biggest problem is peak time demand. "It's for this that we have sought the use of a liquid-based fuel to prop up the system when demand is high," says the official.

PREMJI'S NEXT MOVE

The Wipro group is foraying into financial services. The group has already floated a new company Wipro Financial Services. And Wipro has looked in-house for talent: Wipro's vice-president for finance S.R. Gopalan is to head the new outfit. The next step is to attract other professionals to Wipro Financial.

But it's still not clear what exactly Wipro Financial will do in terms of business operations, and Wipro chairman Azim Hasham Premji is cagey on this score. Says Premji: "All I can tell you is that I'm serious about financial services; we're not in it for dribbling."

P&G'S NEW LOOK

For years after a 1985 overseas deal that brought the parent of Richardson Hindustan within the fold of multinational Procter & Gamble (P&G), the Indian company persisted with its logo: a map of India straddling the globe.

Suddenly, however, the old logo has been shed for a new one. The visiting cards of P&G executives now sport a new logo: a practical, easily read 'Procter & Gamble.' According to company sources, this is just an experiment.

Still, the media has been abuzz with talk that P&G's US parent has in principle decided to increase its stake in P&G India from the current 40% to 51%.

P&G's logo worldwide is a crescent with stars. So will the Indian affiliate's logo later undergo yet another change?

NEW CHARGE

The flickering batteries division at Willard India may soon be galvanised into action once more. For Willard is

GUPTA: *No plans to go public*



tying up with the Japanese Battery Co (JBC) for superior technology. JBC, which holds 30% of the Japanese battery market, is also expected to buy into the Indian company's equity.

The Bajoria family had bought the batteries division from a Delhi-based industrialist, K.P. Singh, several years ago but the division never really took off.

Besides batteries, Willard India has a jute manufacturing division called Chitavalsah Jute, which is actually the moneyspinner. Thanks to this division, the company has not fared too badly. At the end of financial year 1990-1991, Willard's sales were Rs 68.4 crore, a 35.9% increase over the previous year, and its gross profit was Rs 3 crore, a 132.3% improvement over the previous year.



VANGAL: *On his way out?*

CAPITAL VENTURE?

A host of private sector outfits are jockeying to set up mutual funds, right? Well, yes and no. The Securities & Exchange Board of India (Sebi), says chairman G.V. Ramakrishna, initially received several enquiries. Many aspirants, however, cooled off after reading the qualifications and stringent requirements Sebi specified.

So some companies are apparently eyeing a different route: they're considering the possibility of launching venture capital outfits. These can then become asset management companies (AMCs). The government requires mutual funds to be run by a separate AMC. The cherry on the icing: venture capital funds pay lower taxes than AMCs.

That's why Bombay-based Champaklal Investment & Financial Co's (Cifco's) latest foray is noteworthy. Cifco has signed a memorandum of understanding with an investment banking concern based in West Asia to set up a joint venture capital company.

The Cifco group and its undisclosed West Asian partner will contribute 26% each to the new concern's equity, with the rest coming presumably from the public. The venture capital concern is to be Cifco's AMC.

Still, it remains to be seen whether the new enterprise will take off. Cifco chief Bhupen Dalal's name has been linked with the Bank of Karad, of which he was a director till the Reserve Bank of India asked him to resign. And Dalal could be in trouble with the Bombay stock exchange and Sebi too; the latter is readying to issue a show cause notice to Cifco. Against this backdrop, Sebi may not exactly be overenthusiastic about registering the new company.

DALAL: *Will his latest foray take off?*



PEPSI SHAKE-UP

A lot of heads are likely to roll in Pepsi's corporate office in Delhi. Ramesh Vangal, the high-profile CEO of this multinational beverage giant, may soon have to bow out. The grapevine says a very senior Hindustan Lever executive has already been earmarked for his post.

Vangal's exit may also lead to a top-level shake-up, particularly in the beverages division. Apparently, Pepsico Inc — the parent company — is unhappy with Vangal's performance, particulary about his failure to meet targets in the beverages division. Last year, as against a target of 20 million cases of beverages, only 15 million cases were sold. This year, the projected figure is 25-28 million cases, but the company is expected to sell only 17.5-19 million cases. Voltas — which is a partner in the company — expects the accumulated losses to be Rs 60 crore at the end of the current financial year. Punjab Agro, too, is singing a bitter note. Recently, it refused to hike its contribution to Pepsi's equity capital. Consequently, the multinational's plans to push up its equity from the existing Rs 25 crore to Rs 80 crore will have to be entirely funded by Pepsico and Voltas. So are hard times ahead?

"WE CAN GO PUBLIC"

The government's new rules stipulating that debentures with lives of over 18 months have to be rated has cast the spotlight on credit rating agencies. The Credit Rating & Information Services of India Ltd (Crisil), for instance, will be swamped with work. Crisil's ratings, however, have recently drawn flak from an Indian Institute of Management, Ahmedabad, study which questions their basis. In an interview last fortnight with BusinessWorld*'s Palakunnathu G. Mathai, Crisil managing director Pradip Shah sharply dismissed the study's conclusions. Excerpts from the interview:*

■ The new Sebi guidelines specify that debentures with a life of over 18 months have to be rated. How will this affect Crisil?

Business will, I think, increase. That apart, the more important thing is that there will be more discipline in the market, more equity offerings, a restructuring of companies and financial structures. All this is good.



■ Restructuring in what sense?

Less debt and more equity. This was coming in anyway, because interest rates were too high, equity had become more easily accessible, at a price which was affordable and so on. One of the good things that flows out of compulsory ratings is that it institutionalises the system of ratings so that money flows are dictated by the terms of risk.

■ What exactly do you mean by that?

Look at the full impact. For instance, you have a rated debenture versus an unrated fixed deposit programme. People who've invested in fixed deposits will not have known the risks. Now, when you have rated debentures, they'll say, 'why go for a fixed deposit, let's go for a rated debenture, we know what the risk is and will be told if the rating goes up or down.' So people will be tempted to shift out of unrated instruments. There'll be orderliness in the market, better reporting, better information. In the long run, there'll be a trend towards rating. Investors and issuers will find it difficult to do without rating. It's unfortunate that we've had to introduce compulsion. Credit rating would have in any case been institutionalised because the market sees the benefit of it.

■ Can Crisil cope with the expected increase in business volumes?

Let me give you some statistics. Last August, compulsion in ratings was introduced for public offerings of debentures. In December, we had 55 companies for rating. Today we have less than 25 — and ratings for those 55 are over. Every month, we're doing between 15 and 20 companies, in addition to instruments, which makes us one of the largest rating agencies outside the US. Our capacity has increased dramatically. We have four offices, in Bombay, Delhi, Calcutta and Madras. Our fifth office is opening in Bangalore in July or August. We have a staff of 80, of which 50 are professionals. Volumes are not a problem. What can be a problem is educating investors. This is what we want to do now — to accelerate the awareness and use of ratings among lay investors.

■ How will you do this?

One strategy has been to piggyback on companies that use ratings. As more and more companies use different ratings, investors become aware of these ratings. But a more aggressive and pro-active stand is called for. This is what we are going to embark on. First, we'll issue a kind of guidance note for investors on how to invest in debentures. This will be distributed through intermediaries, essentially brokers. Then, we'll have an awareness campaign; some kind of educational advertising campaign.

■ What impact has the competition had on Crisil?

There is some impact.

■ Have you lost people to the Investment Information & Credit Rating Agency (Iicra)?

Two, last year.

■ Have you any agreement about not raiding each other?

Moody's and Standard & Poor's (S&P) have an agreement that they won't raid each other. But *we* didn't do anything wrong (grins).

■ Has Iicra bagged more assignments than Crisil?

No, no. This was at a point of time. Let me put that in perspective. S&P opened its London office eight-and-a-half years ago. Outside the US, they had assignments from 600 companies. In four-and-a-half years, we've handled 320 companies. This excludes instruments, which we've handled over 400 perhaps.

■ Iicra has granted provisional ratings to some companies. Please comment.

The concept of provisional rating, I think, negates the system of providing expert opinion. A rating agency must express an opinion. The government has decided that all greenfield projects offering debt instruments to the public must carry a rating. If the rating agency ducks its responsibility and does not give a valid rating, what is the point of having a rating?

■ Crisil doesn't give any provisional ratings, I presume.

We don't. A provisional rating is no rating. It's like a post-dated cheque. You can't encash it today.

■ **Crisil has been criticised on the ground that ratings are based on historic factors.**

Whoever said that is not familiar with our brochure, our methodology of operations and therefore is making an innocent statement.

■ **Why do you say that?**

Because our approach is not that. In our brochure, indeed everywhere, we've brought out the fact that historical rates are only a small element of our business. Past performance is only a very small guide. We want to understand how managements performed in times of problems, how they overcame those problems. To that extent, yes, we want to know whether the company has insulated itself from those problems and what kind of response it would have to those problems. But really speaking, our approach is to look at the industry, the company, its market position, its operating efficiency, its management, the future cash flow projections. Our rating is an amalgam of this.

We say that our rating is a subjective exercise. We have no apologies to make about that; it is a subjective exercise. But that subjectivity is based on a rational — and hopefully thorough and diligent — analysis. So when we have a team on the job it is always with two people, never one person, with a backup person. The team may meet the company, but the backup person never does, so that they are insulated from being overawed by entrepreneurs. They present their findings in a note. Then the note is piloted through an internal committee, where at at least six people sit in judgement on it, five of whom have gone through (notes on) at least 250 companies. Six different opinions come, in addition to what the team may have presented in its note.

■ **Does any voting take place?**

Always. And we record these votes. There are always differences. In the internal committee, we don't iron out the differences because we want the process to go transparent to the external committee where six independent directors sit in judgement, and all come out with six different opinions. The differences are very narrow, and we then try to iron them out.

■ **What was your problem with First Leasing?**

We have no problem.

■ **Apparently, First Leasing went to IIM, Ahmedabad, which ruled in its favour. Crisil refused to recognise this ruling. First Leasing wanted to be heard at a rating committee meeting, but Crisil said it would only permit a note to be presented.**

We have a process. We don't invite companies to make presentations at rating committee meetings.

■ **Why?**

Let's face it, there's embarrassment. We meet socially with the same people. If they come and lobby for their case, it's very difficult and embarrassing to say no. This is our culture. We're not blunt. The rating committee must be able to meet in a free, fearless and frank atmosphere. And that is not permitted in a face-to-face encounter. But we do say that every rating note must carry the company's point of view also, so that the decision makers know the viewpoint.



A provisional rating is no rating. It's like a post-dated cheque. You can't encash it today. If a rating agency ducks its responsibility and does not give a valid rating, what is the point of having a rating?

■ **The IIM study apparently looked at your ratings and tried to find out what ratings S&P would have given for the same companies. The S&P ratings would have been lower.**

You take AAA companies and see how the ratios come out. But you don't look at ratios and say, 'oh, why isn't this AAA?' It's not a ratio-based technique. Ratios are one element of it.

■ **What does the IIM study do?**

It looks at ratios of S&P's AAA companies, and says AAAs are only possible if you get these kind of ratios. That's not the case. Rating is much more than numbers. It's numbers plus determinants of business factors, fundamentals, the future, etc.

■ **Where do you think Crisil will be five years down the road?**

Where we already are (laughs) — pre-eminent. People who're supposed to be pre-eminent purveyors of risk information. We'll perhaps do a lot more of other things. We've already started a small information card, the Crisil card. There are lots of other products we can come out with, on markets, whatever.

■ **Are you setting up a market research agency?**

It's one area. Not a customer market research agency. We're not interested in that.

■ **So will this be meant for Crisil?**

That of course will be an incidental benefit. But it will be an independent activity.

■ **Will this be funded by the financial institutions?**

No, we generate internally enough to meet our requirements. But we can go public.

■ **Are you saying that Crisil will go public?**

Why not?

■ **Has this been discussed with your shareholders?**

We've discussed it with our shareholders. All these things are always part of any loud thinking in a board. We don't need the capital today. But when we do need the capital, certainly we will think of going public.



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A CROP OF WORRIES

Trouble is brewing on the farm front.

Is India heading for trouble on the agricultural front? Less than a decade ago, that question would have evoked derisive laughter. Remember the green revolution and the prosperity it brought to vast swathes of north India? Remember too that India didn't have to import foodgrains for years?

Well, the good times are ending, even if they're not quite over yet. You don't believe it? Look at the following:

■ For the first time in years, India is poised to import at least one million tonnes of wheat, perhaps up to two million tonnes, in August or September. According to a finance ministry spokesman, the ministry had authorised the release of foreign exchange for the import of one million tonnes. "We've kept our options open. It's for the food ministry to decide when to go in for the imports," he adds.

■ The government's buffer stocks now stand at about 10 million, versus the high of 30 million tonnes in June-end 1986. After the foodgrains procurement season ends, stocks may surge to 16 million tonnes, but that's still on the borderline of adequacy.

■ After a span of nearly five years, drought has reared its head in at least five states. As a result, sowing and transplanting for the kharif season are getting delayed in these states. Rajasthan, Gujarat, Maharashtra, Madhya Pradesh and Karnataka are drawing up contingency plans to meet the threat of drought. Much hinges on the south-west monsoon. Meteorologists have predicted a below-average monsoon. If even this is delayed, the situation can get worse. What this means is that foodgrain imports could exceed the one million tonnes currently in the works.

■ The procurement of foodgrains by government agencies is considerably less than last year's levels.



A BOUNTIFUL HARVEST: *A thing of the past?*

So what's happening? Why are alarm bells clanging on the farm front? One problem is that the government simply hasn't invested enough in agriculture over the past couple of years. In real terms, annual investments in agriculture have actually dropped, from Rs 4,900 crore a decade back to Rs 4,800 crore today. In the same period, the government's annual investments in manufacturing trebled, from Rs 4,500 crore to over Rs 13,000 crore.

A finance ministry spokesman concedes the point. "The rate of investment in agriculture has not been going up fast enough," he says. The traditional forms of investment (in dams and fertilisers) are reaching their limits. He adds: "In fertilisers we have got into a bind. We've reached the limits of subsidy and therefore of consumption."

Then, economists such as Ashok Gulati, a director at the National Council of Applied Economic Research, the Delhi-based think tank, argue that agriculture is afflicted by a fundamental structural problem. "Capital formation in agriculture is on the decline, and this is coupled with a regional switch in production. Additional production today is coming from the eastern region as against the north in earlier years."

Connected with such problems is the fact that, despite the sharp increase in employment in the services sector, agriculture still accounts for 70% of the total employment generated in the country. To an extent, this is part of the development process. "This is quite normal," says the finance ministry spokesman. "Productivity in agriculture is low — a fourth or half of that in industry. Productivity will start levelling out over several years. In the twenties, there were very large differences in productivity in Europe," he adds.

Yet another problem that has surfaced in recent years is that farmers are increasingly switching to cash crops, whose cultivation has become more profitable than that of wheat. In many areas of Punjab and Haryana, for instance, farmers are shifting to growing sunflower and mustard. Else-

where, farmers have also begun producing basmati rice. "It all depends on the returns the farmer gets. Today's farmer has become worldly-wise," adds Gulati.

Nowhere are problems on the farm front better reflected than in the north Indian states. Look, for instance, at what's happening in Uttar Pradesh (UP). UP accounts for a third of the total wheat produced in the country, but less wheat is being cultivated today than ever before. The area under wheat has declined to 84.89 lakh hectares in 1990-91, from 86.37 lakh hectares in 1989-90.

The reason, quite simply, is that more and more UP farmers are switching to sugarcane, according to Ganga Ram, joint director of agriculture in Meerut. Thanks to the high returns, today western UP accounts for a quarter of the state's 106 sugar mills.

Last but not the least, the success of the government's oilseeds mission may have boomeranged elsewhere. Oilseeds have emerged as competition for traditional crops. "The oilseeds technology mission has meant the creation of capacity for oilseeds at a high cost to the exchequer, while on the other side reducing the acreage of traditional crops," complains Gulati. "Whereas oilseeds can be imported today at Rs 12 a kilo, we go about producing it at Rs 30 a kilo," he adds.

Of more immediate concern, however, is the looming threat of drought. Drought has affected over 90,000 villages spread across 100 districts. Of these districts, 30 are in Rajasthan, 28 in Madhya Pradesh, 26 in Maharashtra, 16 in Gujarat and five in Karnataka. Rajasthan has a Rs 15 crore contingency plan to provide water to the affected villages. Maharashtra has already sought a higher allocation of foodgrains for the public distribution scheme (PDS).

The government, meanwhile, has been quick to recognise the threat. Minister for state for agriculture M. Ramachandran says: "We have contingency plans which involve providing all state farm departments with seeds, since this is the item generally in short supply."

Still, states that face a drought won't get financial aid easily. The allocation of funds to the states depends on the recommendations of the ninth finance commission. "It is only in the case of a natural calamity of rare severity that the allotment can be increased," says Ramachandran.

The amounts available to the states from the calamity relief fund range from Rs 224 crore in the case of Rajasthan to just Rs 2 crore for Karnataka. Already, several states have put in requests to New Delhi for funds. Maharashtra leads with Rs 789 crore sought as additional relief against a calamity relief fund of Rs 14 crore. Reports from a central team sent to Rajasthan to study the position there are awaited.

At another level, a good monsoon is crucial. Its failure will result in lower grain output — which in turn can stoke inflation and undermine the government's stabilisation programme. Reason: inflation, quite simply, will ultimately neutralise the gains of last year's currency devaluation by making exports more expensive and uncompetitive in world markets. And that will tell on the balance of payments position.

PROBLEMS GALORE

- After years of self-sufficiency India is poised to import wheat.
- Drought has reared its head in five states.
- Over the past decade annual investments by the government in agriculture have dropped.
- Farmers are increasingly shifting to cash crops.
- Foodgrains procurement has been poor.

Inflation had been inching downwards to the region of 12%, but has been climbing again to the 13% level in recent weeks. Most economists agree that a poor monsoon can be most damaging, in terms of prices. "A bad monsoon means we can end up with inflation at 23%," warns Charan D. Wadhva, research professor at New Delhi's Centre for Policy Research.

Government officials, however, present one question here: is the link between agricultural output and prices that clear? According to the finance ministry spokesman it is not clear whether inflation in the last couple of years has been due to a surge in demand or a shortfall in production.

What has not helped matters any this year is the poor foodgrains procurement record so far. The finance ministry spokesman acknowledges that procurement has been less than last year. This may either be because procurement prices are not high enough or because farmers have enough capital stock with them, he believes. In other words, if they are not unloading wheat it's because they are hoarding it. Asked whether he saw problems in this, the spokesman said that what was crucial was that there should be enough wheat in the system.

Certainly, some government officials believe that the farmer is holding back his wheat because official procurement prices are not attractive enough. In UP, for instance, procurement agencies have not been able to procure even 7% of the state's total produce for the public distribution system this year. They've been set a target of 12.5 lakh tonnes of wheat but by last month had rustled up roughly 6,000 tonnes only. The government is using commission agents to woo farmers to the mandis. It's also jacked up the commission for these agents from 1.5% to 2%, apart from handling and transport charges. So far, the agents haven't been exactly successful. The next few weeks will tell whether their fortunes change for the better.

"The farmer of today is as aware as anyone else is about how the market for foodgrains is reacting to the various changes taking place," says principal advisor in the Planning Commission Priya Prakash. "If we have liberalised our economy and believe in a open economy, there is no reason why the foodgrains market should be administered," adds Prakash.

Government officials, meanwhile, continue to look to the skies. "It's not how the monsoon starts but how it continues all over the country that matters," warns Ramachandran. As the monsoon spread from the south to other parts of the country last fortnight, those cautionary words had not lost their relevance.

□ Anup Jayaram

(With reports from M.V. Rao in Meerut.)

ROUBLE TROUBLE

India and Russia can't agree on the rouble's value.

It's a case of the past haunting the present and the future. The continuing tug-of-war between India and Russia on the rupee-rouble parity rate hinges entirely on debts accrued over the years. While the Russians are willing to consider the market rate of the rouble for present and future debts, they are insisting on an artificially high rouble rate for all past debts.

For India, it will be a monetary coup if the Russians agree to the market rate for past debts. The market rate of the rouble will reduce India's total debt by anything between 50% and 80%, depending on the agreed rouble rate. The high-level team led by Montek Singh Ahluwalia which returned recently from Russia has not been able to break the ice on this vexatious problem.

Things may improve when the Russians come to Delhi in September for another round of talks. The team is likely to be headed by Russia's minister of foreign economic relations D. Aven.

The root of the conflict is the differences in perceptions about the rouble's value. The Russians claim that "the rouble is just a unit of account." And as a senior official in the commerce ministry put it: "The rouble value is just fiction."

After the November 1978 protocol, the rupee-rouble rate was fixed at Rs 10 to a rouble. Over the years, with the fall in the value of the rupee, the rate has risen to Rs 32 now. The rupee was indexed to a basket of 16 currencies. For any change in the value of the rupee vis-a-vis this basket, there were commensurate changes in the rupee-rouble rate.

"The parity was always fixed on the value of the rupee. The rouble rate was never taken into account. The present rate has no relation to the real value of the rouble," says Valluri Narayanan, joint secretary in the finance ministry.

Narayanan continues: "The rouble is likely to be floated from 1 July. Within a month of that it should be pegged at a level from where we can fix the parity rate." Narayanan was part of the team which was in Russia recently to thrash out the nitty-gritty. Adds he: "Since Russia is joining the IMF, things should become much more easier."

For India, it will be a monetary coup if the Russians agree to the market rate for past debts

Six rates. At present there are at least six dollar-rouble rates. "So the question of fixing the rupee rate based on the dollar is very difficult," says Narayanan. "With Russia joining the IMF, we'll have the rouble-dollar and rouble-SDR rate. Since we are already an IMF member it will be easy to fix our rates based on their quotation."

The problem arises over past debts mainly due to large arms imports from the former Soviet Union. No figures are available on the debt accrued by India over the years. "If we can convince them to agree on a realistic rate of the rouble, then there will be a sharp fall in our debt to the Russians," says Manubhai Shah, president of the India CIS Chamber of Commerce & Industry. "We've set up a sub-committee to look into the rupee-rouble parity problem," he adds.

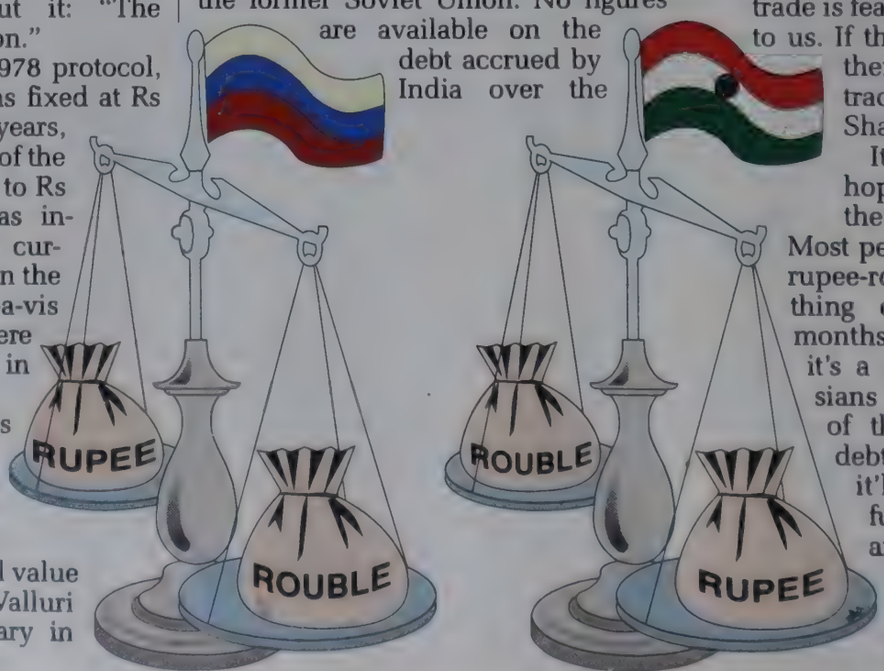
With the changes in Russia, the ceilingless technical credit days have also gone. To prevent technical credit from running up, this year it has been pegged at Rs 850 crore ($280 million).

While on one side the tussle is on the rouble rate, Russian supplies of crude are gradually drying up. During 1990-91 Russia supplied 25% less crude than the targeted 4 million tonnes (mt). If that was bad, this year only one tanker load of 60,000 tonnes has been supplied till now, versus the 4 mt target.

The main reason for this is the 20-25% fall in domestic production along with the breakdown of the centralised command structure that existed till the break-up of the Soviet Union. "It's not just that. They are now interested in hard currency payments," says Narayanan.

The Indians as such are willing to go in for dollar trade with the Russians. "They are more interested in rupee trade," says Shah. "But rupee trade is feasible only if they export to us. If they do not export to us then the question of rupee trade does not arise," says Shah.

It's not that there is no hope as far as trade with the Russians is concerned. Most people expect the present rupee-rouble tangle to be a thing of the past in three months from now. Right now, it's a long wait for the Russians to agree to a market rate of the rouble for all past debts. When that happens, it'll be a positive sign for future trade with the CIS and a sharp lowering in our debts.



□ Anup Jayaram

THE GOOD EARTH

The earth summit has some achievements to its credit.

At Riocentro, the huge convention hall 20 miles from downtown Rio de Janeiro, the atmosphere was redolent of a giant cocktail party. And as bashes go, it was of mega proportions: more than 100 heads of state and government, thousands of ministerial and official delegations, members of non-government organisations, environmentalists and mediapersons descended on the South American city last month.

Yet it would be too simplistic to dismiss the 12-day earth summit just concluded in Rio de Janeiro on 14 June. True, as European Community environment commissioner Carlo Ripa de Meana had apprehended, it did look like a party. But underpinning the hoopla was hectic activity at the plenary and the negotiation tables.

Apart from the somewhat ritualistic Rio declaration encapsulating the spirit of Rio, the Agenda 21 delineating a blueprint for environmental action in the coming millennium was an important achievement. The 300-page document will form the basis for further debate and discourse. Added to these are the pacts signed at the convention on climate change, on the biodiversity convention and the statement of principles on forests and on environment policy. The focus of the treaties are clear: a safe and sound world where development and equitable distribution of resources are ensured.

These are no mean achievements. When one considers the often clashing national interests and the interests of the group countries, fashioning what prime minister P.V. Narasimha Rao calls a "new language of interaction" is a major step. Take, for example, the phrase "safe and clean" atmosphere in a section in the Agenda 21. India objected to the phrase as it felt that this would give the United States a handle to enforce the nuclear non-proliferation treaty. The oil-producing countries saw in the words a threat to the use of fossil fuels, thus affecting the oil economy. Ultimately, the phrase used was 'safe and sound.'

Similarly, the statement of principles on forests was originally projected as a convention by the US. The idea was not acceptable to most of the developing countries. In a significant diplomatic victory, the Indian ministerial delegation led by union minister for environment and forests Kamal Nath, supported by China, Malaysia and Brazil, argued the case for a statement of principles instead of a convention and won the day after a feverish round of talks. It was felt that a convention working on international guidelines decided at multilateral forums would globalise a country's natural resources, and that this was not acceptable. If such rules applied to conserving forests, then why not globalise oil resources?



More than words. But the whole summit was not just about fiddling and fighting with words. To be sure, the vast quantity of bland, smooth-flowing words recorded in kilos of official documents are bound to have lasting impact on global politics. But even more important is the industrial and economic fallout. Just as the US sees in the biodiversity convention an attempt to regulate its burgeoning biotechnology industry, so also Malaysia feels threatened by a global attempt at policing its forest resources. Whichever way you look at it, green politics or green technology spells money.

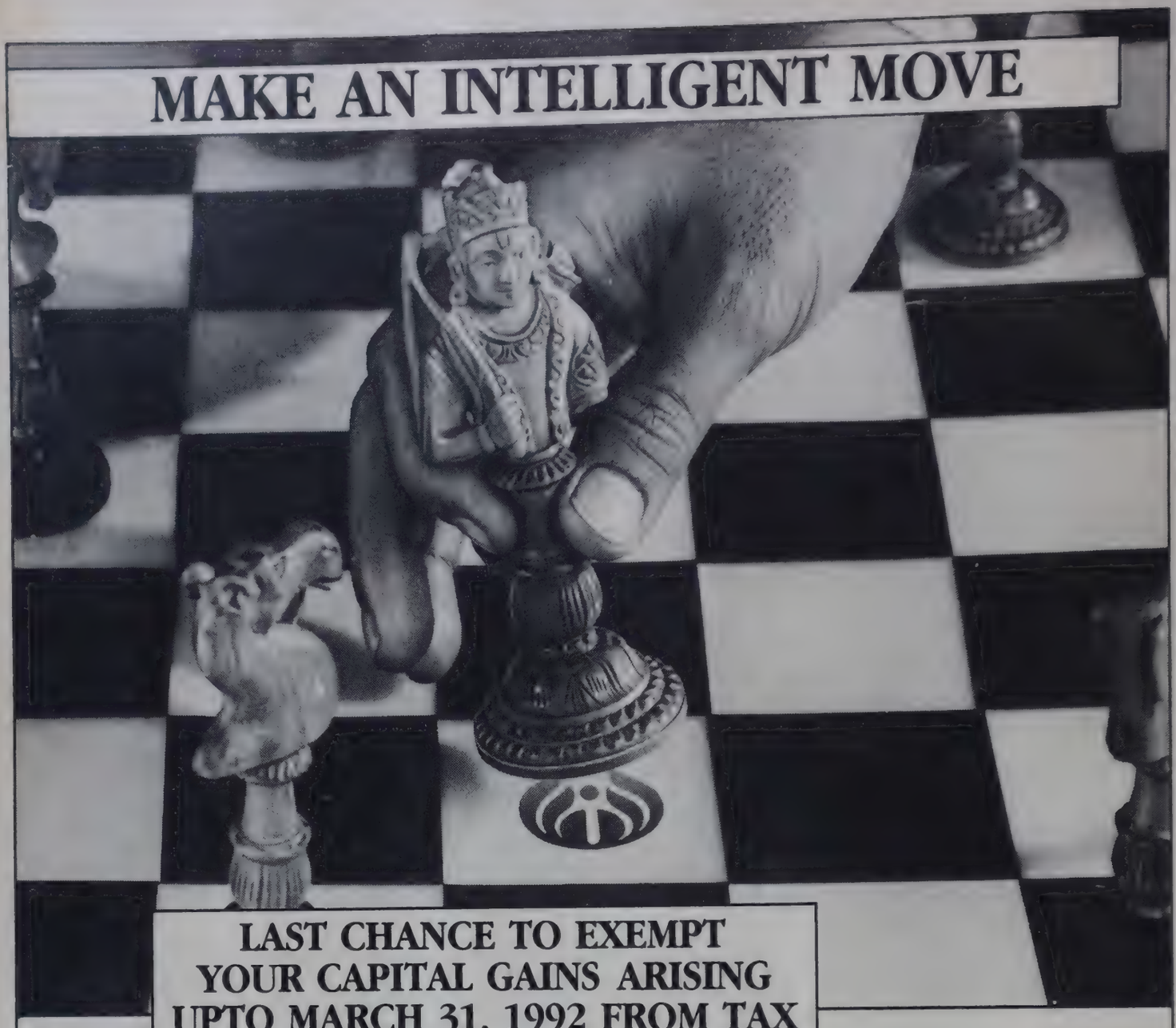
Take the case of the US. Two decades back, when the country started passing strict environmental laws, industry jumped in to take advantage of the developing market demanding new technology, cleaning harmful emissions and neutralising hazardous waste. Today, the US and Japan are well ahead in developing environmental services and clean technology. With the EC now passing stringent environmental laws, the US is already in the fray for supplying environmental services to EC countries. It is expected that the western European market will triple to a mammoth $171 billion business by the year 2000.

What impact will the recent environment awareness exercise have on Indian industry? True, some of the existing technology will have to be revamped or, worse, junked. But there will also be accelerated opportunity for developing new ones. The Indian prime minister, who had the honour of being the first head of state to address the three-day plenary towards the end of the summit, said repeatedly that the developing countries should see that useless technology was not dumped on them. At the same time, he pointed out that there was ample scope for joint ventures in research and development for environment-friendly technology between developing and developed countries. India with its vast resource of scientific and technical personnel and existing infrastructure can play a significant role in developing appropriate technology.

The problematic issue of funding having been settled on the final day in language calculated to please all interest groups ('substantial funds' to be allocated within a reasonable time), developed countries are already committing considerable sums to financing the development of and changing to clean technology. Although the sums are nowhere near the $125 billion demanded, what has been offered is not small change either.

□ Ella Datta in Rio de Janeiro

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COMMENT

LIBERALISE AGRICULTURE

By ASHOK GULATI



The present agricultural policy adversely affects the incentive structure in agriculture

A wave of liberalisation is sweeping through India. The attempt appears to be to gradually open up the economy to market forces, and also to global competition. The idea is to make the system more transparent, and promote efficiency. However, a closer scrutiny of the existing policy environment reveals that this wave of liberalisation and globalisation is primarily restricted to India's industrial sector.

The agricultural sector remains more or less untouched. The only clamour one hears with respect to agriculture is about the fertiliser subsidy. And there seems to be more confusion than clarity on this issue, especially in terms of who benefits from the existing system and who is to bear the burden of adjustment. In any case, the present agricultural policy environment is not only incompatible with the spirit of liberalisation, but is also adversely affecting the incentive structure in agriculture. There are formal and informal controls on various commodity sectors, which are not conducive to the overall efficient growth of these sectors.

Let us take the major commodity sectors of Indian agriculture, namely, rice, wheat, sugar and sugarcane and cotton. Together these account for more than half of India's gross cropped area, and about three-fifths of the value of crop output. Thus, if one can straighten out the policy environment with respect to these four crops, more than half the crop sector will improve.

If India is to move towards a market-oriented economy, first priority must be given to ensuring free and fair play of market forces. Against this backdrop, one can think of at least three immediate steps that need to be taken in the agricultural sector to liberate and rationalise the marketing of its four major commodities. These are:

- Allow free movement of agricultural commodities across different state boundaries within India. This will raise the price level in surplus states and lower them in deficit states, thereby reducing the overall price dispersion. Producers in surplus states will get a better price, and therefore an incentive to produce more, while consumers in deficit states will pay a lower price.

Although formal restrictions on the movement of foodgrains were lifted in 1977, the government often imposes informal restrictions, particularly on wheat, when it wants to procure more from the surplus states of Punjab, Haryana and western Uttar Pradesh. The current year testifies to this statement — prices have been suppressed by 'bottling up' these surplus states.

- Reduce, and gradually abolish, levies on rice and sugar. Under the levy system, it is compulsory for the miller to hand over a part of his produce to the government at a notified levy price. This levy price is generally lower than the open market price. In the case of rice, even at present, there is a levy on millers to the tune of 75% in states like Punjab or Haryana while for sugar, there is a 45% levy all over India. If the levy price is not sufficient to cover the commodity's cost of production, the losses are expected to be made up by selling the non-levy portion in the open market at higher prices. This is a hidden way of transferring resources from producers to consumers, and is economically an inefficient way.

If the system has to become more transparent, these levy ratios should be reduced immediately, and then abolished within two to three years. In the case of rice, the levy can be reduced from 75% to 50% this year, then to 25% next year, and finally withdrawn in the following year. Similarly, in the case of sugar the levy ratio can be reduced from 45% to 25% this year and then abolished in the following year. The resultant open market price is likely to be lower than what it is today, but the producers are likely to gain, and the system will be more transparent. If the government wants to procure these commodities for its public distribution system, it should buy these at the market rate.

- Abolish the monopoly cotton procurement scheme prevalent in Maharashtra. Under this scheme cotton cultivators cannot sell their produce to any one else except the Maharashtra federation. The federation first gives an advance price, followed by a final price that is supposed to be inclusive of the profits that the federation makes on its cotton trade. The scheme has often run into huge losses which cannot be sustained. Besides, it is a major distortion in the national economy and has no economic justification for its existence.

Adopting these steps will send the right signals to producers and consumers, and hopefully lead to a more efficient allocation of resources.

The author is a director at the National Council of Applied Economic Research.

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BALANCE SHEET AS AT 31ST MARCH, 1992

CAPITAL AND LIABILITIES	As at 31.3.1992 (Rs. in 000's omitted)	As at 31.3.1991
Capital	**114,23,64**	75,23,64
Reserves and Surplus	**665,00,00**	525,00,00
Deposits	**14238,15,20**	12368,31,96
Borrowings	**577,12,80**	1316,84,70
Other Liabilities and Provisions	**863,41,73**	841,17,52
TOTAL	**16457,93,37**	15126,57,82

ASSETS	As at 31.3.1992 (Rs. in 000's omitted)	As at 31.3.1991
Cash and Balances with Reserve Bank of India	**1607,80,01**	2204,31,25
Balances with Banks and Money At Call and Short Notice	**701,61,69**	539,76,97
Investments	**5250,81,78**	4426,90,60
Advances	**7999,85,30**	7073,04,72
Fixed Assets	**130,46,72**	121,08,94
Other Assets	**767,37,87**	761,45,34
TOTAL	**16457,93,37**	15126,57,82
Contingent Liabilities	**9487,36,52**	6004,54,38
Bills for collection	**1680,13,67**	885,77,35

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 1992

		As at 31.3.1992 (Rs. in 000's omitted)	As at 31.3.1991 (Rs. in 000's omitted)
1. INCOME	Interest Earned	**1831,32,45**	1538,22,92
	Other Income	**251,69,45**	167,36,80
	TOTAL	**2083,01,90**	1705,59,72
2. EXPENDITURE	Interest Expended	**1103,71,77**	991,16,43
	Operating Expenses	**468,96,11**	402,83,66
	Provisions and Contingencies	**353,74,62**	175,55,39
	TOTAL	**1926,42,50**	1569,55,48
NET PROFIT FOR THE YEAR		**156,59,40**	136,04,24
3. APPROPRIATIONS			
Transfers to :	A. Statutory Reserve	**32,00,00**	25,00,00
	B. Special Reserve	**108,00,00**	100,00,00
	C. Government	**16,59,40**	11,04,24
	TOTAL	**156,59,40**	136,04,24

CANARA BANK

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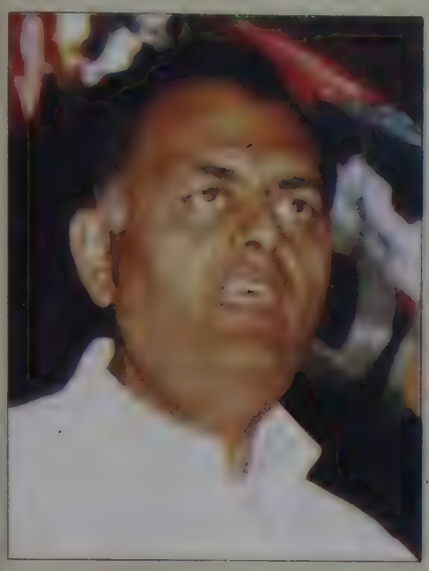
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REVIEW

■ Prices of a wide range of **drugs** may go up by 5-15% following the rejection by the finance ministry of a proposal to bring down the import duty rates of bulk drugs.

■ The government is planning to offer private parties equity of up to 100% of public sector units (**PSUs**) which are sick and have been referred to the Board for Industrial & Financial Reconstruction (BIFR), according to a report in *The Economic Times*. Over 58 PSUs have been declared sick and 40 of them have been referred to the BIFR.

■ Former union minister K.C. Pant has been appointed chairman of the **tenth finance commission**. The commission has been asked to submit its report by 30 November 1993. Under a notification issued by the finance ministry, the key objectives will be to reduce the fiscal deficit of both the centre and the states and ensure better fiscal management by the state governments.



PANT: *Will try to reduce deficits*

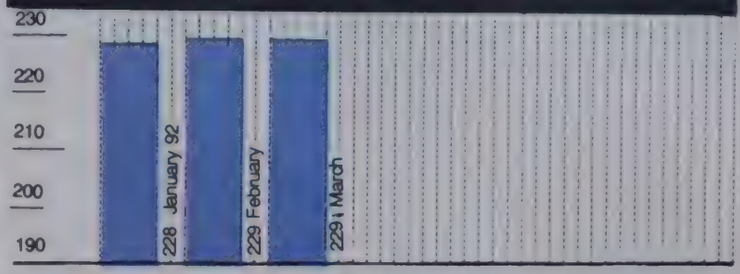
■ The government has set up an inter-ministerial cell to monitor the implementation of foreign investment and collaboration projects. To be known as '**Investment promotion and project monitoring cell**,' it will function under the overall charge of the member-secretary, secretariat for industrial approvals.

■ The outlook for several **key industries** in the medium term is bleak due to the government's liberalisation measures. According to the planning commission, in the eighth plan period, the industries adversely affected will be capital goods, electronics, shipbuilding and jute.

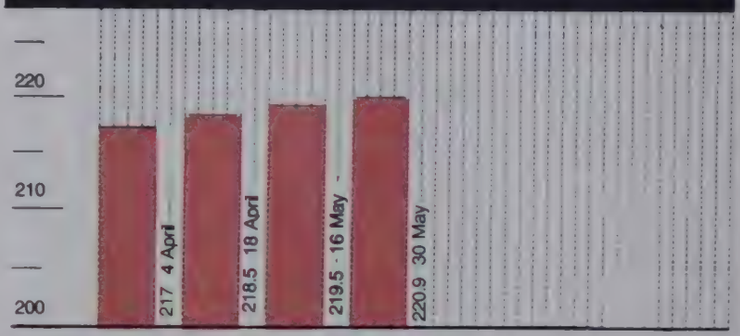
Foreign Exchange Rates (Spot) 1992

	16 June (Rs)
One P. Sterling	47.93
One US Dollar (RBI's buying rate)	25.83
One US Dollar (operating middle rate)	28.30
One D. Mark	16.42
One hundred J. Yen	20.40
One Saudi Riyal	8.08
One Kuwaiti Dinar	103.87

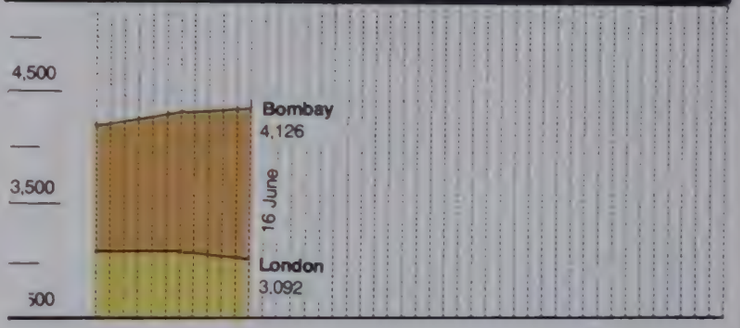
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



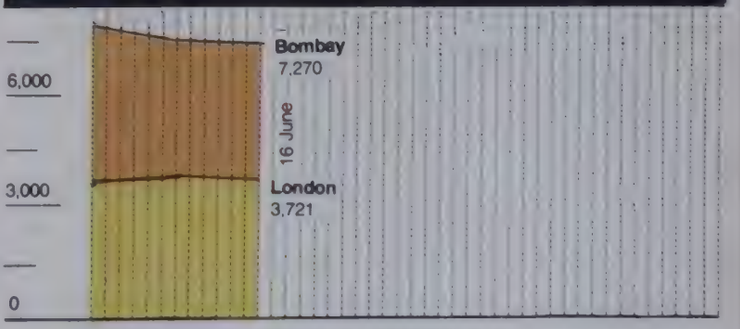
Wholesale Price Index (1981-82 = 100) 1992



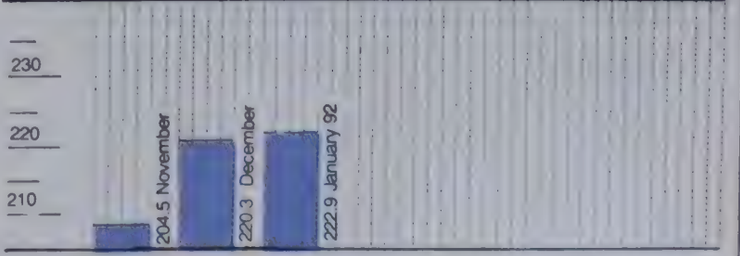
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81=100)



SPOTLIGHT

GE: AN INDIAN ODYSSEY

The story of how a giant multinational targets a new country.

Back in 1973, when the government of India amended the Foreign Exchange Regulation Act (Fera), forcing many foreign companies to dilute their shareholdings in Indian companies, General Electric (GE) decided to call it a day. It didn't make the fuss that Coke or IBM did, but it pulled out of Mysore Lamps, and took its business elsewhere.

In the years since then, GE maintained a national executive in India, of course, but mainly to sell aircraft engines to India's two airline companies.

Today, all that is history. GE already has seven projects in India: in the fields of high-end plastics, electronic medical systems, refrigerators, lighting systems, instrumentation control, and... more are in the works. Suddenly, the company is all over the place, tying up partnerships with the best known names in Indian business, including Godrej, the public sector Indian Petrochemicals Corp Ltd (IPCL), and Wipro, among others.

GE has already committed to pouring more foreign equity into India than any other multinational, if you take the past couple of years. And it hopes to multiply its Indian business six-fold in the next eight years, to $1 billion (Rs 2,800 crore), or about the size of Tisco today. As GE's country representative for India Stephen Brandon says: "Today India does not matter a lot to GE because it is a small business. But it will become important, and we want to work on it now to be where we want to be when it happens."

This, then, is the story of how a giant multinational corporation targets a new country, what factors make it get keen about a new market, and how its internal processes work as it undertakes strategic decision-making.

Four years ago, a senior London-based GE executive decided that India was going to be one of the world's mega-markets in the 21st century. But he had to sell the idea to his board and, more important, to his chief executive, the legendary Jack Welch.

Paolo Fresco, now executive vice-president in charge of GE's international business, and the first non-American to be on the GE board, first despatched Stephen Brandon to New Delhi. Brandon was a bright young executive who had joined Fresco's team from McKinsey, and now he was to take charge as national executive. Brandon moved over in August 1989, and two months later Jack Welch came visiting.

Two encounters on that first visit helped make up Welch's mind about India. One was a meeting with Sam Pitroda, then advisor to Rajiv Gandhi. Whatever Welch expected from the meeting, he was not prepared for the

WELCH: *Bullish on India*



SPOTLIGHT



ABID HUSSAIN, THEN A MEMBER OF THE PLANNING COMMISSION, WAXED ELOQUENT ABOUT HOW THE INDIAN CONSUMER HAD EMERGED AND HOW A MIDDLE CLASS NOW EXISTED IN THE COUNTRY. THE SUBJECT MAY HAVE BEEN PASSE TO MOST INDIANS BY THEN (1989), BUT IT WAS A NEW THOUGHT FOR WELCH. AND HE TOLD HIS PEOPLE TO LOOK AT THE CONSUMER DURABLES MARKET IN INDIA

show that Pitroda put on; even today he recalls how a sadhu broke a coconut on a personal computer! Others recall the challenge that Pitroda threw at Welch: you buy $700 million to $800 million worth of electronic software from around the world every year, why don't you buy any of it from India? Welch didn't know that GE bought that much software. Later, he checked on the number and was impressed that Pitroda had got it right. He also didn't know that India was good at computer software.

Why should I buy software from you, Welch asked Pitroda. Eventually rising to the challenge, Welch had a software team visit India in 45 days, talk to companies like Tata Consultancy Services, and begin taking orders, which today work out to $20 million a year, at US prices.

The second encounter was with Abid Hussain, then a member of the planning commission. Hussain waxed eloquent about how the Indian consumer had emerged, how a middle class now existed in the country, and how it had become acceptable for Indians to go on a consumption spree. The subject may have been passe to most Indians by then (1989), but it was a new thought for Welch. And he told his people to look at the consumer durables market in India. That led, eventually, to the 40:60 equity partnership that has been hammered out with Godrej, a partnership that will take over the existing Godrej business in refrigerators, and also launch a new line of washing machines.

Brandon says he saw these two decisions as giving legitimacy to what he had come out to do, which was make GE invest in India. But he was keen that Welch get some idea of the country. So, on the *de rigueur* trip to Agra and Jaipur, he ensured that Welch drove rather than flew in his executive jet. Welch was turned on by the colour, life and diversity on Indian streets, and the country made an enormously positive impact on him.

Brandon recalls that the first visit by Welch was dramatic, and it was half the battle won. But still, India was sold only to Welch and Fresco. The rest of GE still had to be convinced. One step was taken when Larry Bossidy, vice-chairman of the GE board, came in 1990, and met (among others) George Fernandes, then railway minister in V.P. Singh's government. It was a business-like meeting, but GE understood that you could do business even with the likes of Fernandes.

There were several concerns, of course. Post-Bhopal, public liability risk was a major factor for a company thinking of investing in a plastics venture, and that too in partnership with a public sector company, IPCL. The doubts were magnified when IPCL's new complex at Nagothane, in Maharashtra, had a major explosion that revived nightmares of chemical disaster all over again. But GE was impressed by the manner in which IPCL handled the crisis; it kept GE informed of what had happened, and explained how they were tackling it. And IPCL chairman Hasmukh Shah obviously made a deep impression. A reference to Shah now seems mandatory in any Indian conversation with Welch, who refers to his "world-scale reputation" and to the fact that Shah is a "class act."

Individuals on the Indian scene clearly helped GE make up its mind. Apart from Shah, there is Montek Singh Ahluwalia, whom GE sees as a consistent exponent of "controlled liberalisation." There are Manmohan Singh and P. Chidambaram. There are also people like Azim Premji of Wipro, and the Godrej family members, whom GE has chosen as its partners. And, oddly enough, there is also K.P. Singh.

So what is a real estate developer

PEOPLE RECALL PITRODA'S CHALLENGE TO WELCH: YOU BUY $700 MILLION TO $800 MILLION WORTH OF ELECTRONIC SOFTWARE FROM AROUND THE WORLD EVERY YEAR, WHY DON'T YOU BUY ANY OF IT FROM INDIA? WELCH DIDN'T KNOW THAT GE BOUGHT THAT MUCH SOFTWARE. LATER, HE CHECKED ON THE NUMBER AND WAS IMPRESSED THAT PITRODA HAD GOT IT RIGHT

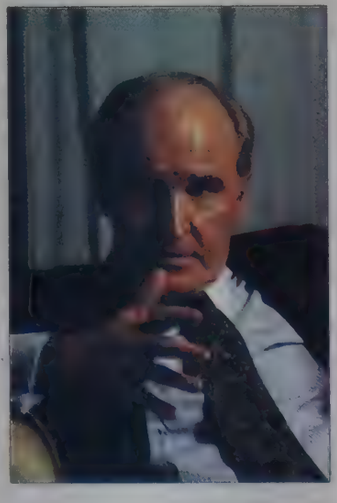


"THE SIGNALS ARE POSITIVE"

If there is a superstar in the world of American business, it is probably not Lee Iacocca but John F. Welch Jr. Son of a railway engine driver, Welch became chairman and CEO of General Electric in 1981, when he was 45. Since then, he has transformed the world's fifth largest corporation, doubling and trebling productivity, and reporting 40 consecutive quarters of earnings growth in the eighties. Now Welch is into the "softer" management issues in an effort to energise his company and achieve even more impressive productivity gains. It should be no surprise if Welch has featured on more covers of American business magazines than any other CEO.

Welch has played a critical role in getting GE to focus on India as a "mega-market" of the next century, and to invest now for the future. On his second visit to India, last month, Welch took time off from a busy schedule to talk to T.N. Ninan on, India, GE, American competitiveness and himself. Excerpts from the interview:

■ What are your impressions, after two days here, on your talks with government and business leaders? Do you see a reduction in the enthusiasm for reform?



There's still a lot of enthusiasm in the government. Time will tell about the future. But there clearly is momentum. The prime minister said we must move faster, must get on with the job. The signals are real positive. They are saying, what can we do to make you move successfully faster?

■ So you don't see a slowing down?

The contrast with the past is very very positive.

■ How does GE see India in its global scheme of things?

If we look at what GE is trying to do, we have outside the US the developed markets of western Europe, Japan, Korea and Taiwan. If we look at the growing markets, we have south-east Asia and Mexico. Then we have the mega-markets of the next century: China and India.

Our business in India today may be small, but we have got to $150 million in three years. By the year 2000, we hope it will be a billion dollars, in revenue.

■ What's it like, dealing with India, in comparison with other countries?

Let's talk about today. We had access to the key people in the government, we weren't knocking down doors. We felt we were welcome. We were extremely impressed by the people we've met. We met Manmohan Singh, and the commerce minister. We met the prime minister and Montek Singh Ahluwalia. We feel this is an upcoming country, on the move, and we're very excited.

■ What is the change that you see from your last visit to India, in 1989?

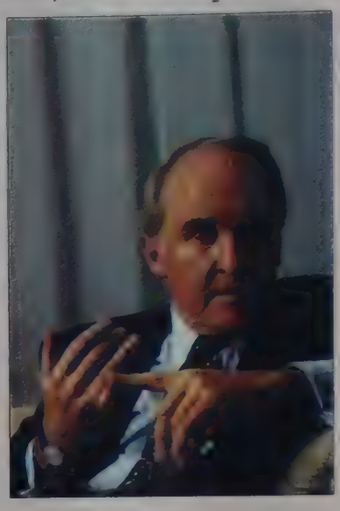
I see acceleration. We saw a pause between 1989 and now, but we kept pushing, and we've ended up right. The welcome here is clearly equal to what we've got in other countries. We weren't kept waiting, the meetings were on time and crisp. The prime minister made the point that we must go faster.

■ You've already got half a dozen projects in India. What's next?

We're working on some very interesting things. If they work out as fast as we hope, we'll be able to make an announcement in a month.

■ Can you talk about the discussions that you've been having with Bhel?

I prefer not to. Things are just taking shape.



■ GE seems to have led the charge of foreign investors into India, but no one else seems to have targeted India in the way that you have. Does this surprise you?

We have some real attachment to India. When we had lunch with our Indian joint venture partners today, it was like a family reunion. They're high-energy people, high-calibre people. We feel very comfortable with them. Perhaps I would say as comfortable as anywhere else in the world. The relationships, the feelings, the openness, the candour. We like the people a lot.

■ Would you like to see any policy changes that would make you feel more comfortable with the business environment? Like labour laws, or the exit policy?

I think that might come about if one is getting into heavy industries investment where a lot of restructuring is involved. We're really doing a lot of greenfield work. And if we get the growth that we think we'll have, the last thing we want to think of is redundancies. That might be an issue if you were investing in big, old, heavy apparatus companies. Then you want to restructure things. But we want to be at the frontier, moving forward.

■ You mean there's nothing more that you'd ask of the Indian system?

We'd like the government to compress time, be more selective about focusing on projects. But in general I'm very happy.

■ Your strategy seems to be to come into the Indian market in partner-

ship with Indian business groups. Why do you prefer joint ventures, rather than going it alone?

It depends on what you think you're bringing to the party. We think that in the joint ventures we have, we bring technology, we bring global presence, we bring export markets. We don't know much about India in terms of the infrastructure. We think our partners bring local knowledge, local brands, local share, local presence. They bring a very good reputation. So we're comfortable. We've had joint ventures for years in other countries; in Japan it's worked very well. So we're not hung up about going it alone.

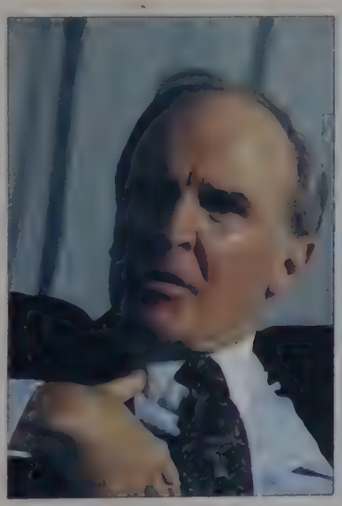
In some cases we need 51% equity, when technology and the global market are the key issues. But when the local market is the key issue, we're more relaxed about it. And if it's a 50-50 equity split with our Indian partners, it says something about our partners, and our confidence in them.

■ **What issues do you look at when you select a partner for a joint venture?**

High integrity. That's at the top of the list. Good reputation in the country. We were more proud than ever today when we heard people talk about our partners. In IPCL, Hasmukh Shah has a world-class reputation. There is the Godrej family. Wipro is an aggressive company. So we think we have partners who add lustre to us, and we feel very good about it.

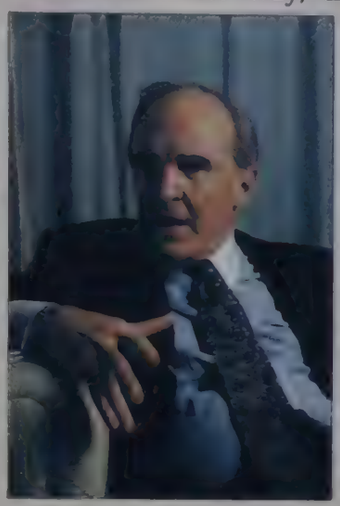
■ **Are your projects working out as you had planned them?**

Take the IPCL venture. We're only eight months behind on our original projection of three-and-a-half years ago. When you have a long-range project, more often than not you're more than a few months behind. Our other projects are on time, sometimes even ahead of schedule.



■ **Do you see India becoming an export base for GE?**

There's a real possibility of that. In lighting. In turbine components. In medical equipment. We can be a centre of excellence here. But maybe not in appliances.



■ **How do you see India, in relation to say China or Mexico?**

Mexico is just ahead of India. We're involved in Mexico for Mexico, and Mexico for the North American Free Trade Zone. In India we're involved for south-east Asia and the domestic market. China is a year or two behind India in the development of market economics.

■ **Indo-US political relations seem to be getting stormy again, just when economic ties are improving. What do you have to to say about this?**

I think we each blow out of proportion things which in the other country are not seen as that important. This 301 thing. And rice to Cuba. Other issues too. It's the same thing here. People don't understand the importance of the extradition of (former Union Carbide chief Warren) Anderson, and what it does to dampen the enthusiasm of business people in America about India. Each country magnifies issues which the other country doesn't think are that important in the scheme of things.

■ **Talking of GE itself, what is the next big challenge for the company?**

We're really excited about tapping the intellectual power of every person in GE by deregulating, giving people voice, getting them involved. We're getting productivity we never dreamt of. We're getting new product introduction cycles that are measured in hours and days rather than months and years. Our cash turnaround is much faster.

Everyone's involved. We come to work everyday trying to find a better way, and we're trying to get 2,80,000 other people to do the same. If we can create this modern corporation where everyone's brains count, where union leaders, hourly workers — we just have these different labels — were all coming with an idea.

Last Friday, we had a meeting of utility executives, and guess who was there in the crowd? Our union leaders. And they were talking to our utility executives about productivity. This couldn't have happened five or seven years ago. Everyone has the idea that the competition is our enemy, not ourselves. So, if we can create this enterprise where people are open and excited, and their ideas and voice are welcome, we'd have created something very special.

■ **There is a fair amount of Japan-bashing that seems to be going on, talk of on-tariff trade barriers and that sort of thing. What is your experience in dealing with Japan?**

Our relations with Japan are very positive. If you've got something that is high-tech, that they don't have, you've got a market. But if you've got a me-too product, they don't need you. We've done very well in turbines because our turbines are better. Our balance of trade with Japan is a billion dollars positive.

■ **You've featured on *Fortune* covers more than any other CEO in the US. Is this because you have your own Log-cabin-to-White-House story, or the turnaround in GE that you've achieved? Do you see yourself as the Ross Perot of 1996?**

I have no political ambitions. I've been around more than most CEOs; almost 12 years now. So if I have hit *Fortune* covers, it is more tenure than anything else.

LUNCHEON DEAL



PREMJI: *Won a close race*

It all happened over lunch. Wipro chief Azim Hasham Premji, who figured in the final two list for the medical systems joint venture, met GE's superboss Jack Welch in Delhi and was impressed. "I thought he was very incisive and forthright; not afraid to call a spade a spade," says Premji. Of course, that didn't clinch the deal for Premji; hard-boiled discussions between Wipro and GE's managers did. But the meeting must have helped.

"They approached us in late-1989, early-1990, I think," says Premji. GE's initial list had some 40-50 prospects; systematic pruning brought that down to three and finally two (Wipro and HCL). "The evaluation took around six to nine months and we signed a memorandum of understanding (MoU) in December 1990 which was then converted into a joint venture agreement. Everything took time because three governments came and went; processing got delayed. We hadn't thought it would take so long," says Premji.

And thus was born Wipro GE Medical Systems as a 50:50 joint venture. It bought over IGE's medical systems business (an outfit that marketed and serviced GE's systems) in India and commenced operations in April 1991. And the going has been good: sales of Rs 37 crore and pre-tax profits of Rs 1.40 crore last year. Says Premji: "Overall, it's been a very good experience."

and semi-successful industrialist like K.P. Singh (the DLF tycoon) doing in the company of Jack Welch, the superstar of American business? The answer is quite simple, it seems: Singh (who drives a Mercedes 500) has shown Welch and Fresco that it is possible to "have a good lifestyle in India." He also introduces them to the people who matter and, perhaps most important, he gives them honest opinions. On Welch's latest visit to India, last month, he began complaining at a private meeting about how GE had lost out on an Air-India order for jet engines. Singh told him politely that Pratt & Whitney had quoted a better price. Welch quickly accepted the point.

So K.P. Singh is now on GE's international advisory council, which meets with GE's top management twice a year, because "GE is US-centric and it is good to look at things with a more global perspective."

But what about the big questions that must have weighed on GE's mind when it looked at India? First, GE needed to be convinced that this was a

GE hopes to multiply its Indian business six-fold in the next eight years, to $1 billion (Rs 2,800 crore), or about the size of Tisco today

market that would grow, and reach global scale. As a GE official put it: "It is tough to project Malaysia as a major market; it can never be anything more than the equivalent of the smallest European country." In that sense, India was an easy call. Fresco was able to make the persuasive point that India and China would be the mega-markets of the next century, and India therefore one of four emerging markets for GE to focus on (the other two being Mexico and south-east Asia as a whole).

Second, there had to be enough near-term opportunity for people to see, as a complement to long-term potential. Oddly enough, this made the Air-India engine order critical. As Brandon explains, it is impossible for anything to be noticed in senior management if it is not at least $100 million; as a global business, the threshold of noticeability is $1 billion (GE's annual turnover is $60 billion). The only thing India offered as an immediate deal on that scale was the aircraft engine order for $120 million.

So GE went for the order with a vengeance, to show that India could be a major market. Rolls Royce seemed the frontrunner at first, but got edged out. GE then thought it had put together an unbeatable package, based on technological superiority. But Pratt & Whitney emerged the surprise winner, apparently because the decision-making matrix may not have given GE as much weightage as it would have liked on its strong points.

For a $60 billion company, it is amazing how much the loss of a $120 million order (0.2% of annual turnover) can rankle, and the subject cropped up repeatedly during Welch's visit. "You didn't give us any weightage for all the other things that we are doing in India," is a typical GE comment.

Back to the list of issues which had to be considered. After long-term potential and near-term opportunity, there was the question of the business environment: was it conducive for GE to do business? Then, legal redress — a point on which India does not score well — was a major concern. Also, the government had to be clear about what it was doing, and preferably be democratic. Sixth on the list, there had to be a tradition of entrepreneurial activity, so that GE could find people to do business with. And, finally, would enough GE people be willing to spend time in the country? Brandon refers to what he dismisses quickly as "the usual complaints of expatriates": hassles with the immigration authorities and customs, and the difficulties of setting up a household. But it is a real concern.

Once Welch and his senior colleagues were sold on India (and Welch seems to have a genuine fondness for the country after just two visits), choosing business partners was the next big step. GE officials explain that they decided not to sign up with the first likely candidate who came along; instead they surveyed the field, talked to all the potential partners, and finally chose one. When

Godrej decided to approach GE for a partnership, GE had already sized up the group. Wipro and HCL were in a close race for the medical systems project: part of the sizing up was at a lunch with the companies' chief executives on Welch's first visit. And, in lighting, GE has chosen a little-known company in Gujarat, Apar, because its chief executive has the ability to absorb technology, the company is strong on financial management, and it has a compatible management style.

Three years into the process of moving into India, GE is getting increasingly happy with its experience in the country. Its first project, with IPCL for plastics, took a year to get official clearance. The tieup with Wipro took as long to get the green signal. But the Godrej alliance (apparently problematic, because it meant a multinational coming into consumer goods) was cleared by the foreign investment promotion board in 60 days flat. The lighting project too was cleared in three months. So GE is ecstatic. Tell Jack Welch that you think the economic reform process is slowing down, and he will tell you how his projects in India are getting cleared faster and faster.

Brandon will chip in to add that at the ground floor, where the projects are getting implemented, you still run into some old-style bureaucratic problems. But GE is convinced that things are singing along in India. As a company official put it, Welch's first visit in 1989 was marked by a few high points. The second one last month was a "more totally satisfying experience." The visits are going to get more frequent: one is planned for next year.

What of the future? GE is already talking to Bharat Heavy Electricals Ltd (Bhel) about a deal that might well be the real jewel in GE's Indian crown: either a new joint venture in which GE will be the majority partner, or a minority stake for GE in Bhel itself (should the government decide to disinvest some of its shareholding). More distant but still very real are possible businesses in financial services (GE is big in both leasing and merchant banking), aerospace (with Hindustan Aeronautics Ltd), and others.

The Bhel tieup had figures on Welch's first visit too, in 1989, and resulted in a delicious confrontation across a lunch table. Welch had just said that he would be interested in India's power equipment business, and Bhel. Among his lunch guests was V. Krishnamurthy, once Bhel chairman.

Krishnamurthy quickly lit into Welch about how, when Bhel had been wanting to talk to GE and visit Schenectady (called the turbine capital of the world), no one would even give Bhel the time of day. "I'm glad you're now interested in Bhel," Krishnamurthy said with heavy sarcasm.

Tension had been building up around the table as Krishnamurthy spoke. But Welch was equal to the situation. He slid low into his chair, almost under the table, and tossed his napkin over his face in a mock gesture of shame. Everyone laughed, and the discussion continued after Welch apologised for GE's once famous bureaucratic responses.

Despite such encounters, Welch is now ready to bring at least 10 of his 13 or 14 businesses to India. In all its business divisions, GE is either world leader, or No 2. That, after all, was one of the early decisions that Welch made when he took over as chief executive in 1981: if GE wasn't No 1 or No 2, it would opt out of the business altogether. And by the look of things, it is going to be No 1 or No 2 in India as well.

GE is already talking to Bhel about a deal: either a new joint venture in which GE will be the majority partner, or a minority stake for GE in Bhel

If things work well, the initial attraction of the Indian market will progress to making the Indian operations a centre of excellence, and an export base. But more important, it will show that India can be a good base for even the most high-flying and demanding multinational corporation, in almost any line of business.

□ T.N. Ninan

PLASTIC-PACKED AGREEMENT



SHAH: *"A class act"*

While Wipro chief Azim Premji met Jack Welch over lunch, IPCL chief Hasmukh Shah's and director (marketing) Sarup Chowdhary's encounter in September 1989 with him was more businesslike: for nearly three hours, Welch listened patiently as the duo made a hard-sell presentation to him in Delhi.

What sparked off this meeting was IPCL's interest in moving into hitech engineering plastics — an area where GE is the global leader. It approached the US megacorp in mid-1987; by December 1987, an MoU between the two was inked. An exclusive sales and market development agreement followed a month later. By March 1990, teams from the two companies were huddling together to thrash out project details, and by June 1991, a joint venture deal was signed to set up GE Plastics India (Chowdhary took over as managing director of the company.) Initially, GE had reservations about working with a state sector undertaking; but these were later overcome.

What helped IPCL was the huge Indian market. GE's hitech plastics sales through Indian agents had hovered around 135 tonnes annually. After IPCL took up the job in 1988, they climbed to 500 tonnes and have been doubling every year since then. Chowdhary is quite effervescent: "We've got a cutting-edge technology and a partner that's not easy to get."

COVER STORY

LABOUR TURNS ITS BACK

Union leaders are more willing to listen to management.

It's one of the largest jute mills in the country, with a labour force of roughly 13,000. At the Rs 80 crore New Central Jute Mills in Calcutta, a unique experiment is under way. The mill was closed for several weeks last year, till the workers offered to contribute some Rs 5 crore as share capital and Rs 6 crore as a loan to revive the ailing mill. The money would come from their dearness allowance dues. More than 14 of the mill's unions joined hands to buy out the 52.5% Sahu-Jain stake in New Central. Startlingly, the unions retained most of the old managers to run the mill. Three union representatives sit on the board of directors. Two internal committees now train workers to read production reports and so on.

That dramatic agreement at New Central would have been unthinkable a few years ago, when worker militancy was in full cry. And it symbolises the times — surely but steadily, labour is turning its back on the harsh times of strife and confrontation with management and even occasionally moving into boardrooms. Yes, strikes still persist. But fewer take place now than they did a couple of years ago and, even when they do, they're not always eminently successful.

Take a look at what's been happening on the labour front:

■ In New Delhi, Escorts vice-president P.K. Lal is a much relieved man. As industrial relations head, Lal had the tricky task of getting Escorts' unions to agree to the transfer of 250 workers from the Rajdoot motorcycles factory to the group's tractor units. Initially reluctant to agree, the unions cleared the redeployment after across-the-table meetings with the management. Says Lal: "Five years ago, this would have been unimaginable."

■ Last year, with wage agreements coming up for revision in 1992, the Bombay-based Philips Employees' Union put forth a charter of demands.



DEMONSTRATIONS LIKE THIS ONE WERE THE HALLMARK OF THE SEVENTIES AND EIGHTIES. TODAY, LABOUR CONFRONTATIONS ARE ON THE DOWNSWING

Going by past precedents, that should have signalled the beginning of protracted bargaining; in 1984-85, the negotiations had dragged on for a year. But this time, things were different. Amazingly, the demands were settled eight months in advance. "One doesn't relish fighting," explains Kiron Mehta, the Philips union president. "Employers and unions have realised that there's no use taking a confrontationist attitude."

■ In West Bengal, a hotbed of union activity, chief minister Jyoti Basu nudged the militant Bata Mazdoor Union (BMU) to accept a crucial agreement on 5 May this year. As part of the package, the union agreed to accept the contentious standard production per minute (SPM) norm, linking productivity to wages. The 500-odd workers rendered surplus will be offered a voluntary retirement scheme (VRS). Grouses Robin Mazumdar, president of the Asian Bata Coordination Committee of Trade Unions: "This has set a bad precedent. The chief minister virtual-

COVER STORY

ON MILITANCY



ly pressurised the unions to agree to a settlement."

Suddenly, compromise is no longer a dirty word. And rigid, unbending attitudes are being flung out of the windows. What's emerging instead is a gradually evolving pattern of a new breed of union leaders more willing to listen to the management's point of view and a growing number of executives who accept the necessity of having a strong trade union.

That altered combination has made for a lot fewer strikes (see chart). Statistics from the Union labour ministry indicate that industrial disputes caused 1,689 strikes in 1984. Last year, that figure was a low 983. At the same time, worker involvement in strikes has shrunk drastically — 17.26 lakh workers were involved in strikes in 1984; just 5.51 lakh participated last year. And even as labour militancy is on the retreat, the number of lock-outs climbed from 405 in 1984 to 445 in 1991.

Figures apart, even the unions' famed ability to negotiate agreements is fast crumbling. In West Bengal, trade unions in jute mills struck work for two months while renegotiating the wage agreement, which expired in 1991, after managements refused a pay hike. Mill owners consequently granted a Rs 100 hike, on condition that no worker would accept lower wages. But points out Indian Jute Mills Association vice-president Arun Lohia: "Eight mills are giving lower wages. The workers and unions in those mills backtracked after the managements said higher wages would force them to shut down. Slowly, the unions are losing control over sick mills."

Dwindling strikes, softer stances at the negotiating table, less militant workers — has the *lal salaam* gone bust? You won't find labour leaders admitting it but, privately, alarmed by the recent trend, many have begun worrying that the labour movement in India may indeed have lost its edge.

"Labour is losing its militancy and trade unions are losing relevance," says a senior leader of an all-India trade union, who spoke on condition of anonymity. "In part, this is because the mainstream trade unions are becoming increasingly identified with the interests of their parties, rather than the welfare of labour. But it's also because when there is an employment problem, management always has the upper hand."

TEMPORARY PHENOMENON

In public, most union leaders choose to view the decline in stridency as a temporary phenomenon because of the fear of retrenchment in the changed economic climate. Emphasises M.K. Pandhe, general secretary of the Centre for Indian Trade Unions (CITU) in New Delhi: "In a period of recession, units get sick and are on the verge of closure. Obviously, strikes are not as frequent as they used to be. The decline in strikes is not an indicator of improved labour relations."

But improved labour relations is precisely how managements have chosen to interpret the new trend. Says Arvind Pande, director (personnel & corporate planning) at the public sector Steel Authority of India, where issues are discussed with

labour leaders at a bipartite forum: "There's an increased realisation in labour that the company has to grow, that modernisation is a necessity. Consequently, we've been able to discuss issues like overmanning with the unions and they've been very cooperative."

Agrees J.S. Sethi, assistant general manager (industrial relations) at Ballarpur Industries, where productivity-linked incentives are gradually being introduced: "Look at the decrease in militant unionism, the nature of agreements being made with managements. It is not a coincidence, it is not because of changes in economic policies or industrial relations. It is because industrial maturity has come."

Underlying both the concern and the complacency are the varying perceptions about the Indian worker today — whether it is the fear of losing his job or just plain satisfaction with his deal which is responsible for eroding militancy. Explains Rangarajan Kumaramangalam, minister of state for law, justice & company affairs and himself a trade union leader: "In the past, the success of a trade union leader depended on how good a financial deal he negotiated. But the worker has now moved away from economism. His primary concern today is security. That is why he is not in the mood to strike for a better financial deal."

At Shram Shakti Bhavan in New Delhi, however, officials have a different explanation for the decline in labour militancy, arguing that the worker doesn't need to strike for more. Bureaucrats in the labour ministry point out that the per capita income for the working class has risen significantly in comparison to other social segments. Says Union labour secretary V.P. Sawhney: "Take a worker who was paid Rs 250 a decade back. Today, with wage agreements every third or fourth year, that worker would have a take-home pay of at least Rs 2,500. In comparison, the salary of a clerk in the government has not risen so fast. The result is that the economic motivation for strikes has been greatly reduced."

But, as Sawhney admits, the truth probably lies in between — the worker may be more content with his lot today, but he's also more reluctant to strike because of gnawing insecurity. While that's certainly because of the recession in the Indian economy last year, it's also because of steady signals from the government that it will no longer step in to take over sick units. And even as that safety net has been whisked away, Union finance minister Manmohan Singh has remained firm on setting the framework for an exit policy. Sick public sector units are to be referred to the Board for Industrial & Financial Reconstruction (BIFR) and, despite heated objections from unions, the National Renewal Fund (NRF) is fast taking shape — a prospect which is giving union leaders the jitters.

Says S.N. Rao, the Delhi-based leader of the Indian National Trade Union Congress (Intuc): "We are firm that we will not accept the use of NRF funds for sacking surplus labour. We will accept only retrenchment and redeployment." Even within Rao's own union, however, some leaders are veering around to the view that some amount of retrenchment will be inevitable. Admits a senior Intuc leader: "We will have to accept the retrenchment of surplus labour in extreme cases."

A case in point: the Chhabria-owned Calcutta Chemicals, where the union offered to take over the unit









YEARS	STRIKES	LOCKOUTS	TOTAL
STRIKES : LOSING STEAM ?			
1986	1458	434	1892
1987	1348	451	1799
1988	1304	441	1745
1989	1397	389	1786
1990 (P)	1459	366	1825
1991 (P)	983	445	1428
WORKER INVOLVEMENT : SHRINKING NUMBERS			
			(in 000s)
1986	1444	200	1645
1987	1495	275	1770
1988	937	254	1191
1989	1158	206	1364
1990 (P)	1162	146	1308
1991 (P)	551	440	991
MANDAYS LOST : FEWER LOSSES			
			(in millions)
1986	18.02	13.92	32.75
1987	14.03	21.33	35.36
1988	12.53	21.42	33.94
1989	10.70	21.97	32.66
1990 (P)	10.64	13.45	24.09
1991 (P)	5.26	10.47	15.73

(P) Provisional — Source : Labour Bureau, Shimla

Total may not necessarily tally due to rounding off figures

after the management said overmanning had made it unviable. After BIFR pointed out that the workers would find it difficult to market the products, group officials have detected a softening in the union's attitude. Says a Shaw Wallace spokesman: "The unions are now more willing to accept some kind of a scheme to let surplus labour go." Adds CITU Calcutta district committee secretary Raghunath Kushari: "The main sticky issue now is that the management wants the VRS money to be put in a Shaw Wallace deposit scheme; the union does not."

The changed government attitude is particularly apparent in West Bengal, where Basu's Left Front regime is competing to attract entrepreneurs to the state. Realising that few industrialists would opt to invest in a state with labour problems, Basu has begun giving not-so-subtle indications to the unions that they can no longer count on steady support from Writer's Building. The Left Front has also been uncharacteristically quiet about clamping down on jute mills which owe more than Rs 120 crore as dues to workers, and on the 30-odd flour mills which have been unilaterally shut down by managements.

One doesn't relish fighting. Employers and unions have realised that there's no use taking a confrontationist attitude

Kiron Mehta, president, Philips Employees' Union



The unions have responded by becoming less belligerent. At the West Bengal-based Chloride Industries, for instance, the management pushed through a productivity and incentive-linked scheme. In the process, it did the unthinkable — it abolished the worker staple of overtime. Says Chloride Industries managing director S.B. Ganguly: "We did face initial reluctance to sign such a wage agreement. But a threat of a lock-out made the union see reason. What contributed to that is the chief minister's talk of productivity, a better industrial climate. The message has got across."

Agrees Intuc's general secretary in West Bengal Lal Bahadur Singh: "Trade union militancy had grown so much in West Bengal that today we are facing its adverse consequences in the form of sick units and lock-outs. In the eighties, unions thought they would be able to get what they wanted by browbeating management. Today, a union's strike threat fizzles out when the management threatens a lock-out."

Central to that reluctance to tread the militant path is a growing belief that strikes do not always deliver. Faith in the potency of strikes was rudely shaken in the early eighties when a protracted, industry-wide strike at textile mills in Bombay, led by militant trade unionist Datta Samant, failed to spin off any benefits. Instead, as the strike wore on, desperate workers sought to return to their jobs after hammering out compromise settlements.

"The workers became very apprehensive after the prolonged textile strike," analyses veteran trade unionist D. Thankappan, who is spearheading efforts to set up workers' cooperatives to take over sick units. "Employers who were earlier reticent are now on the offensive. Take the lock-out wage cut for workers to enable the unit to reopen in 1990, after it lay shut for over three years. That still left the problem of ensuring sufficient work for everybody." Says CITU's Kaushik: "We decided to divide the workers into two teams. Each worked for 12 days in a month." The ploy worked and, with production picking up, working schedules are also back to normal.



The worker has now moved away from economism. His primary concern today is security. That is why he is not in the mood to strike

Rangarajan Kumaramangalam, minister of state for law, justice & company affairs

Such solutions are becoming increasingly evident. At Dunlop India's Sahibganj factory, union leaders agreed to a four-day work week, instead of the normal six-day pattern after the management threatened a lock-out four months ago. And at Metal Box's units in Calcutta, long lying closed, union leaders are coming under increased pressure to accept the company's offer to provide work for five days a month, while keeping one factory closed.

So sweeping has been the change in the environment that even Samant admits labour has lost ground. Says he: "Trade unionism in India is getting weaker by the day thanks to politically-backed unions."

The need to innovate is also giving birth to a new genre of trade unions — single company unions, not affiliated to the umbrella labour organisations. At Hero Honda, an independent trade union oversaw the



It's pathetic. There is no unified approach amongst trade unions. Each one looks at one's own self-interest

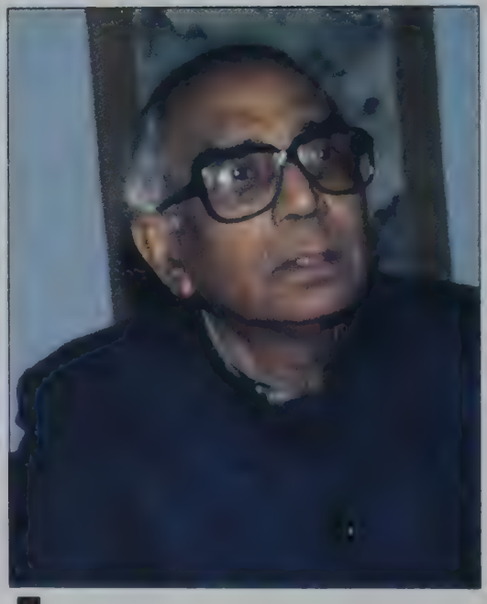
S.R. Kulkarni, head of the Bombay Port & Dock Workers Union

introduction of a productivity-linked wage agreement sans overtime, insisted on restructuring an attendance-linked incentive scheme and participated in discussions on the company's recruitment policy. Says Hero Honda vice-president (operations) Amit Chaturvedi: "An independent trade union addresses the requirements of labour far better than the major politically-affiliated trade unions."

Caught between the workers' expectations and the need to work within frameworks laid down by their political bosses, the larger unions are rapidly losing their traditional support bases. In Bombay, for instance, independent labour leaders like Samant sneer at a Shiv Sena-backed union's support for T. Maneklal & Co's decision to down the shutters and make way for a five-star hotel. Worse, the union movement has also been hampered by rivalries between the major unions. "It's pathetic," says S.R. Kulkarni, head of the Bombay Port and Dock Workers Union, which recently accepted pay cuts. "There is no unified approach amongst trade unions. Each one looks at one's own self-interest."

Company unions, however, could tempt managements to step over the delicate line between cooperation and corruption. Warns Ballarpur Industries general manager (personnel) Anand Shome: "Many managements have made the mistake of trying to prop up union leaders. That's only going to make for a lose-lose situation because the moment you try to corrupt a union leader, he becomes illegitimate in the eyes of the workers."

Especially so, because of the changing socio-economic background of the worker today — a phenomenon which Kumaramangalam dubs "the fading of the blue collar." Better education on the shop floor has brought about increased ability to appreciate the management's viewpoint, and reluctance to lose the security of a job. "Most workers are better educated today and you can no longer treat them as riff-raff," says Modi Alkalies managing director Y.K. Modi. "At the same time, trade unions are also slowly realising that the workers can't survive with interests different from those of the company."



In a period of recession, units get sick and are on the verge of closure. Obviously, strikes are not as frequent as they used to be

M.K. Pandhe, general secretary, Centre for Indian Trade Unions



Trade unionism in India is getting weaker by the day thanks to politically-backed unions

Veteran trade union leader Datta Samant

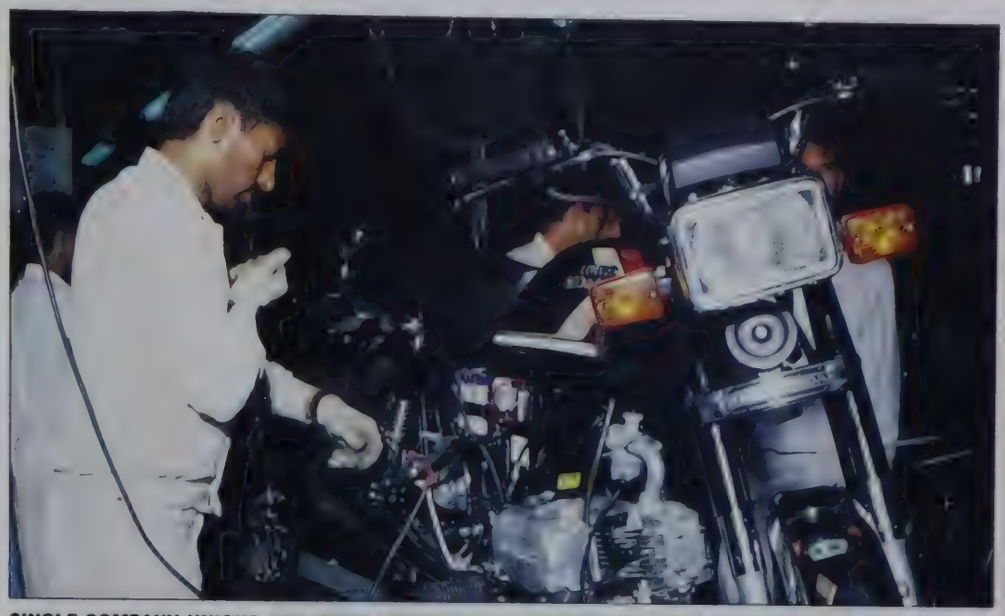
Completing that circle, the government is chipping in to improve industrial relations. Discussions are currently on with state labour ministers over the Ramanujam committee report, which has suggested wide-ranging amendments to the Trade Unions Act. Meanwhile, the Centre also plans to form six industrial committees, including representatives from major unions, in key sectors such as power, textiles and transport. And a special tripartite committee consisting of representatives from the government, managements and labour, which has already met twice, is scheduled to discuss sickness in the private sector.

At least some labour analysts believe

COVER STORY

the unions' increased willingness to participate in discussions is an indication of a shift in tactics from violent strikes to more subtle methods of influencing the management. In Bombay, the company union at Otis Elevators held a recent press conference to publicise the management's use of substandard materials in its products. At Mahindra Tractors, the union has given an alternative layout for better utilisation of the shop floor. Philips union members bombard company executives with letters pinpointing management mistakes. Notes Girish Vaidya, head of the Union Research Group, an independent organisation which tracks trends: "To make profits is becoming more important. It has become very important for managements to look into industrial relations from a business point of view and even take uncomfortable decisions."

Labour leaders believe most of those decisions affect the workers. Warns Kumaramangalam: "As insecurities pile up, you could have an explosion in the near future. Labour insecurity could unleash a Frankenstein difficult to control." But put the other side of the picture—managements more willing to accept worker participation and the entry of more educated workers — and what emerges is a worker who, increasingly, opts for strikes as the last resort.



SINGLE COMPANY UNIONS ARE BEING USHERED IN AT COMPANIES LIKE HERO HONDA. AT HONDA, THE UNION OVERSAW THE INTRODUCTION OF A PRODUCTIVITY-LINKED WAGE AGREEMENT SANS OVERTIME

□ Surajeet Das Gupta in Calcutta, Sujatha Shenoy in Delhi with Roy Pinto in Bombay

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THE EUROISSUE RUSH

Indian blue-chips scurry to global markets.

It has all the trappings of a mad gold rush: companies are setting a frenetic pace amidst gilt-edged dreams. Ever since Reliance Industries lapped up $175 million from the international securities market by offering its Global Depository Receipts (GDRs) in May this year, the list of Indian companies scurrying to global markets reads like a Who's Who of the Indian corporate sector. But even as they pursue the proverbial pot of gold at the end of the rainbow, dark clouds are hovering on the horizon — and these could change the plans of many.

For the moment, however, it's a bull run. Though four large companies — Reliance, Grasim Industries, Tata Steel and Essar Gujarat — obtained the finance ministry's nod for their issues late last year and Reliance took the first plunge in May, the number of companies sold on tapping the international market literally grows by the day. Others who've either declared their plans or are finalising them include ITC, Great Eastern Shipping, Gujarat Ambuja Cement, ITC Bhadrachalam Paperboards, Bombay Dyeing, Mahindra & Mahindra, Telco, Southern Petrochemicals, Zuari Agro and Hindalco. So great is the urge to go global, that the spluttering auto company Hindustan Motors, which is losing money hand over fist, is also believed to be eyeing the arena.

While the success of the Reliance issue has gone a long way in spurring other Indian companies to clamber aboard the Euroissue bandwagon, in a sense it's also been the rave billing that the emerging Indian capital market has received from foreign merchant bankers that's been responsible for the rush. According to one international merchant bank's estimate, Indian companies can hope to raise a total of $1.3 billion by next June. And if mammoth public sector companies like Oil India, Bharat Refineries and Hindustan Petroleum decide to join the fray, that figure could easily shoot up to $2.5 billion.

On balance, two main factors are ensuring that Euroissues become the hottest piece of action in town.

For one, it's a cheap source of foreign exchange. Take the Reliance Euroissue, which offered GDRs at a price of $16.35. Since each GDR breaks up into two equity shares, the effective issue price of each share works out to Rs 250. Last year, Reliance paid a dividend of Rs 3 per share. In percentage terms the cost of servicing the equity works out to a mere 1.2%. Even if we assume that the company is generous this year and pays, say, a Rs 5 dividend, the cost of servicing is 2% — far lower than the interest on foreign loans of any kind.

Cost advantages. The cost advantages of Euroissues are obvious. Says S.H. Venkatesan, a director of Essar Gujarat: "The cost of raising money overseas is very, very competitive." Echoes Gujarat Ambuja Cement senior finance manager Anil Singhvi: "Euroissues are a cheap way of meeting companies' foreign exchange requirements."

Apart from the cost advantage, the other main reason for the bullishness of Indian companies about Euroissues is the easy acceptance of the Reliance issue. In spite of a whopping price-earnings factor of 26 (the international norm for blue-chips is 15-16), Reliance's Euroissue offering not only found eager buyers but was reportedly oversubscribed. Reliance issued its GDRs at a small discount below the ruling market price on Indian stock exchanges.Whether or not foreign investors are cheered by the future of Indian blue-chip companies like Reliance and Tisco, Euroissues themselves, at least for the present, have a curiosity value. Perhaps it is because the Indian capital market has only just been thrown open after years of insulation. Says Maurice Colton, director of Dewe Rogerson, a UK-based financial communication agency which has been involved in marketing many global offerings: "Most of the Indian Euroissues are very small by interna-



tional standards and they have novelty value abroad."

But the follow-through can be difficult. Take the story of Reliance. Barely a fortnight after the company romped home with $175-million worth of GDRs priced at $16.35, traders at Hongkong and elsewhere were dealing in the securities at prices ranging between $13 and $14 — which translate into discounts of 15-20%.

Already, companies that are keenly watching how Reliance fares in the international market are worried about the poor show of its GDRs in the secondary market. Says Colton: "Placing an issue is fine. It's how they trade which is the real question."

To be sure, that was a question which Reliance's fund managers also addressed. In fact, when the Reliance $100 million offering found subscriptions to the tune of $450 million in May, the ever-bullish Ambanis were reportedly tempted to retain around $225 million. But Morgan Stanley and Lehman Brothers, the underwriters, advised caution, saying that demand could be aroused in the secondary market only by a small offering. But even after Reliance pruned its final issue down to $175 million, there haven't been takers in the secondary market.

"This is worrisome and could affect the way the issues in the queue will do," says a merchant banker who requested anonymity. "It could even force future issuers to cut their offering sizes down to half of Reliance's to, say, $50 million. Referring to the lack of demand for Reliance securities in the secondary market, Colton says: "Most fund managers (abroad) haven't had rupee exposure. How much of a rupee fund do they want to buy?"

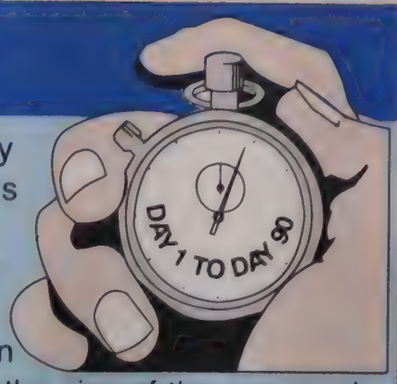
Tough task. But if the secondary market experience of Reliance's Euroissue is any indication, the long line of Indian companies waiting to tap the markets will have a tough task ahead. The first two in the queue — Tata Steel and Grasim — are offering $100 million tranches, while the third, Essar, is considering a $75-100 million size.

A slump in the secondary market can have serious implications. For one, GDRs (which are proxies for equity) have a two-year lock-in period during which they can't be converted into equity, though they can be traded in. And two years later, investors have the option of either converting them into equity and holding them or of hawking them to the underwriters. If demand in the secondary market fails to get stimulated and investors lose confidence, Indian Euroissues may face the bleak prospects of being bought back by the underwriters.

For the moment, though, everyone's gung-ho about Euroissues. Says Venkatesan of Essar Gujarat: "We are going in for very large projects which the financial institutions cannot fund. So accessing the international markets is one more source of funds." And going by the rate at which "Euroissue" is becoming a favourite buzzword in the boardrooms of blue-chip companies, the Indian corporate sector is clearly on a high. The question, however, is: will that high last?

□ Sanjoy Narayan
(With bureau reports.)

COUNTDOWN TO THE EURO ISSUE



The countdown to a Euroissue typically begins three months before the issue is actually launched. The elaborate procedure is kicked off after the Indian company's board approves the issue, shareholders clear it and an application is made to the finance ministry stating the size of the proposed issue and an approximate price range. Simultaneously, the company appoints lead managers for its issue.

DAY 1 TO DAY 60

* Lead managers conduct stringent "due diligence" exercises: this is usually very exhaustive. The lead managers, along with other co-managers, industry analysts and accounts specialists, scrutinise the company's strengths and weaknesss. Other key issues discussed:
* The timing, pricing and feasible issue size
* Target markets and investor profile
* Marketing themes
* Syndicate structure

The company also appoints international auditors and legal counsel to draft legal and financial documents.



DAY 60 TO 80

* Lead managers and underwriters finalise the documentation as well as the structure and terms of the offering.
* Underwriters monitor the international capital markets, the domestic movement of the Indian company's shares, and identify target markets and fix roadshow schedules.



DAY 80 TO 10 DAYS AFTER THE ISSUE

* Launch transaction
* Worldwide roadshow presentations to investor groups
* Final prices set
* Bids received and & allocations made
* Listing







MUKESH (L) & ANIL: *Aggressive plans*

THE YOUNG INHERITORS

Dhirubhai is still the visionary, but his sons are running Reliance.

After 26 years of steering his empire, Dhirubhai Ambani, chairman & managing director of Reliance Industries, is stepping down from his post and handing over full and complete charge of the Rs 3,000 crore company to his two sons, vice-chairman Mukesh and joint managing director Anil.

That's not exactly the way it's happening, of course. No dramatic announcements have been, or will ever be, made. Neither the Ambanis nor their senior executives will ever talk about it. For the big events on the fourth and fifth floors of the Ambanis' Bombay headquarters in Nariman Point's Maker Chambers IV always have the trappings of the Ambani style — they'll be quiet, shrouded in suspense, but sure. Example: last month, the company mopped up $175 million from the international capital markets, but till date it has not issued a single press statement about it.

Nevertheless, for all intents and purposes, Dhirubhai Ambani is handing down the mantle to his two sons, Mukesh (33) and Anil (32), 26 years after he started Reliance Industries as a textile manufacturing company.

Certainly, there are enough signals of a transition at the Rs 3,000-crore Reliance group. Already, the 59-year-old entrepreneur-turned-legend is gradually delegating responsibility to his two sons. Consider the following:

- The $175 million Euroissue with which Reliance romped home last month was handled from start to finish by his savvy younger son Anil, helped by elder son Mukesh. In fact, during their hectic three-week roadshow series in May, the two brothers jetted into Bombay for a day just before the end of their frenetic programme to brief their father on the issue.
- The tieup with C. Itoh for a refinery was masterminded entirely by Anil Ambani, who started the negotiations with the Japanese giant way back in September 1991.
- Over the past couple of years, Reliance has been hiring a new breed of professionals at very senior levels to head existing and emerging divisions. Unlike in the past, when Dhirubhai was always the hands-on boss, his two sons are increasingly delegating major responsibilities to professional group heads.

Sample some of the big names that the two brothers have roped in: Mathew Panicker, former treasurer of Unilever plc, who clambered aboard as managing director of Reliance

Europe; P.S. Balasubramaniam, former managing director of Tamil Nadu Petrochemicals, who is president of the new projects division and will be the key person handling the two downstream petrochemical projects — Reliance Polyethylene and Reliance Polypropylene; K.K. Malhotra, who quit a directorship at Indian Oil Corp to head and implement the Hazira cracker project; C.S. Gokhale, former executive director of Petrofils, who heads Reliance's yarn marketing division; B.L. Mehta, president of the nascent shipping division, who boarded Reliance last year from Century Shipping... The list is growing. The chairman & managing director of a Bombay-based financial institution said last month: "Before, Reliance was like a tent supported by one pole — Dhirubhai. That's not the case any more. There's been a great degree of decentralisation."

Reliance insiders off-the-record are already talking about the changes at the top. No, Dhirubhai is not retiring, with the two sons taking up the reins. Instead, the new Reliance will still see Dhirubhai as the strategic planner and visionary for the group, while Anil and Mukesh will handle the day-to-day line management.

"Dhirubhai has already moved away from day-to-day operations. This is a part of a strategic plan for succession at the top in the company," says a senior company executive. The effusive, aggressive Anil will handle the group's still nascent global trading plans, develop new markets and start up new projects, while the quieter, introspective Mukesh, credited to be as thorough as Japanese managers, will be the hands-on man.

At first, the changes at the top can seem to be a logical follow-up to the stroke that Dhirubhai suffered in 1987, which paralysed one side of his body. But insiders insist that this has nothing to do with the succession plan. "In the last two years, he has bounced back to normalcy and is fighting fit today." As evidence they cite his 7.30 am to 9 pm work day during which he operates from Sea Wind, the 18-storey Ambani home in Cuffe Parade, from his car and from the Nariman Point office.

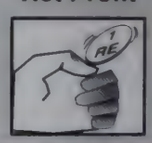
All this is happening at a time when the Ambanis are charting out a new course for Reliance. From a manufacturer of textiles, yarns and intermediates in 1983, with a turnover of Rs 520 crore, Reliance today is a megacorp which is growing even bigger. From textiles and yarns, the company is swiftly moving into plastics, basic petrochemicals and oil refining. Add to that major global trading operations, and you clearly have a giant in the making. In a sense, it is the sheer size of Reliance today and what it will burgeon into by the turn of the century that makes delegation and autonomy for divisions imperative. "The idea," says a top executive, "is to evolve each of our divisions into individual units which will be managed independently by efficient managers."

Reliance executives cite the example of the group's advertising agency Mudra (billings in 1991-92: Rs 100 crore), where chief executive officer A.G. Krishnamurthy has complete freedom to run the show. "He only meets Dhirubhai or Anil once a month for tea," says a Reliance insider, "and they ask him when Mudra is going to become number one." Mudra today is third in big agency rankings.

Strikingly, too, the Ambanis are evolving a new style of functioning, a style that's in sharp contrast to the manner of operations till the eighties. Then, when Reliance was dogged by controversy, the Reliance name evoked images of safari-suited fixers stalking the corridors of power with briefcases stashed with cash. Be it licences for a cracker project, tinkering with import duties on key raw materials or even the transfer of an uncooperative bureaucrat, stories of the Reliance man and his cash box — or, for that matter, lucrative shares at par — did the rounds. Today, the style of lobbying has changed. When Anil Ambani went as part of a business delegation accompanying finance minister Manmohan Singh to Tokyo in March, he presented Singh with a well-researched, six-page note on the investment climate from the Japanese point of view, comparing India with China, Indonesia, Philippines and Thailand. Quips a Reliance executive: "Our lobbying has changed to the Capitol Hill style."

Micro to macro — the style has indeed changed. Earlier, the company

AFTER THE MERGER: HEFTY ASSETS

Assets	Liabilities	Share Capital	Turnover	Net Profit	EPS
					
1991					
2712	1558	152	2098	122.5	8
1992					
4806	2850	227	2274	162.5	10.2
1993					
5260	2635	237	3995	453	19.27
1994					
5919	2359	282	4886	782	30.07
1995					
6504	2233	282	5500	824	29.17
1996					
7175	2193	282	5980	838	29.68
		Rs Cr.			Rs.

Company forecasts

had evolved a mind-boggling network of key politicians, senior bureaucrats and even rival company executives. That was in the licensing regime, where the only way to beat the system was by building up and sustaining connections. These networks still help, but they are losing their relevance with the dismantling of the licence raj and lesser red tape. Always quick to respond to changing situations, Reliance is focusing on macro-level lobbying. Attracting Japanese investment, for instance. The logic: of course, it's also good for the company, but isn't it good for the country too?

To be sure, everything in Reliance isn't changing because the Ambani sons are increasingly calling the shots. Though Anil and Mukesh are cast in entirely different moulds, they share one common trait — both keep extra long hours. Mukesh is in his fifth floor office from 10 am to 10 pm every weekday, while Anil begins his day at 9 am and stays on till 10 pm. Indeed, the younger Ambani goes a step further — he's in on most Sundays too. With the top brass keeping extra long hours, it's not surprising that managers down the line are emulating their bosses. Jokes a senior Reliance executive: "Join Reliance and you don't have to worry about practising family planning."

Still, hard work is going to be vital to the success of Mukesh and Anil's mega-plans. Sample the ambitious Ambanis' gameplan for the next five years:

- A Rs 4,500 crore, nine million tonne oil refinery in Salaya (near Jamnagar), in collaboration with C. Itoh. The Japanese corporation will have an equity stake in a new company that is to be promoted.
- A Rs 3,500 crore, six million tonne oil refinery in Jebel Ali (UAE), in which Reliance, the Jebel Ali free trade authority (FTA) and a C. Itoh-led consortium will have equity stakes.
- Two new downstream projects at Hazira to manufacture 1.6 lakh tonnes of high density polyethylene and 2.50 lakh tonnes of polypropylene, through two companies — Reliance Polypropylene (RPP) and Reliance Polyethylene (RPE). Apart from this, the Ambanis plan to expand Reliance Europe into the group's global trading arm, and make a foray into oil exploration and shipping.

The key question, therefore, is: will Dhirubhai's sons be able to pull all this off?

For all of Dhirubhai's vision, the Ambani track record in completing projects on schedule hasn't been exemplary in recent times. Reliance Petrochemicals' monoethylene glycol (MEG) project was delayed by four years, edging up costs by Rs 500 crore; the Rs 900 crore naphtha cracker was delayed by a year because of the problems the Ambanis ran into with suppliers' credit from Larsen & Toubro when their much publicised takeover attempt ran aground.

The aggressive and extrovert Anil Ambani, however, is typically ebullient. Brushing these aside, he likes to talk about the group's expansion plans. Referring to the plans for two public issues for RPP and RPE comprising Rs 650 crore worth of convertible debentures, he says: "We have already got underwriting commitments for thrice the amount. Doesn't that speak for our credibility?"

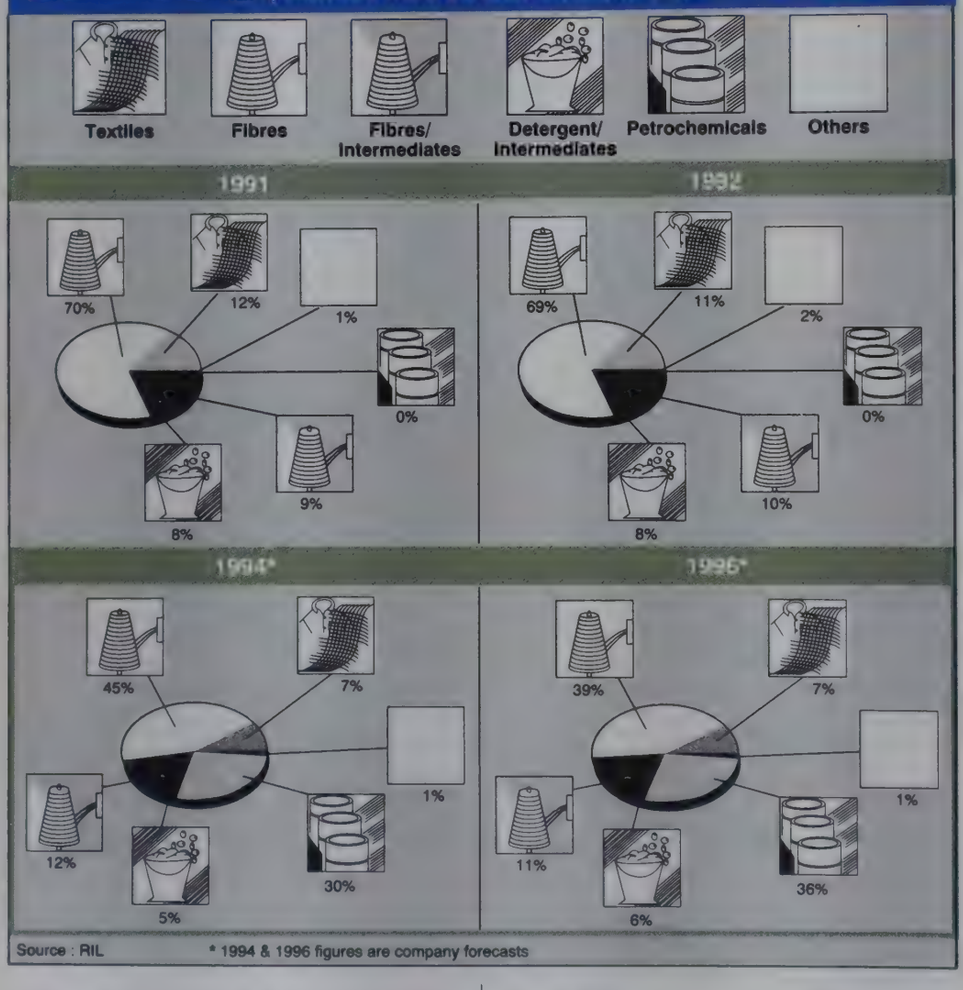
As for Reliance's constant urge to go for mega-projects, Anil Ambani has a simple explanation: "Our diversifications have always exploited synergies. They are focused and integrated."

Certainly, Reliance has laid great stress on integrating backwards and forwards since the early eighties. From textiles, the starting point of Dhirubhai's entrepreneurship, Reliance integrated backwards into yarn and fibre manufacture. Then, it moved further backwards into intermediate manufacture — purified terephthalic acid (PTA) and MEG. Continuing its backward integration spree, it diversified into basic petrochemicals at the Hazira cracker.

From basic chemicals, the company is now setting up two refineries which will provide the key inputs for its petrochemicals plants. Given all this, the next step, oil exploration, seems

RELIANCE : HITTING THE PETROCHEMICALS TRAIL

(Turnover from various divisions - %)



Source : RIL * 1994 & 1996 figures are company forecasts

LOW PROFILE, HIGH SECRECY

They may be drawing up mega-plans constantly, and readying for a global leap. But the ambitious Ambanis are extremely chary of the press — or at least the Indian press. Reliance's launch in late May of its Euroissue in the international market was conducted in the quietest possible manner.

Indeed, the Indian press was alerted about the issue only by a brief report in the *Financial Times*. When contacted, Reliance spokesmen feigned complete ignorance. A senior official of the company went to the extent of saying: "Our issue is scheduled for June." And this, even as Mukesh and Anil Ambani were talking to international fund managers, hopping across continents on a three-week roadshow. "We like to stay out of the limelight," explains a senior Reliance official.

Behind the desire to maintain a low profile is Reliance's now legendary running battle with Bombay Dyeing and the controversy that has dogged the Ambani company since the eighties: the clout of the Ambanis in high political circles; their ability to influence (and even force) government decisions; their uncanny knack of knowing today what the government was going to do day after tomorrow ... all this made great copy for the newspapers and magazines. The result: Reliance hogged the headlines through the eighties.

In fact, the Ambanis for a short while tried to counter the media onslaught through their own Observer group publications. During the abortive move to take over Larsen & Toubro, the Ambanis front-paged their version of the controversy in the then *The Business & Political Observer*. Then, all of a sudden, good sense prevailed. And the Ambanis went into hiding. 'No comment' became the buzzword at Reliance. Even during the Rs 934-crore rights issue of convertible debentures last January, Reliance went about the exercise quietly: the only attempt at publicity was a Rs 18-lakh advertising campaign.

Indeed, Reliance has institutionalised the paranoia about publicity. "Our corporate philosophy now is to avoid the glare of publicity," says a company executive. That translates into no interviews with either of the three Ambanis — Dhirubhai, Mukesh and Anil. And even on the rare occasion when the Ambanis condescend to meet journalists, they are forewarned: "No quotes from us. This is only an informal meeting."

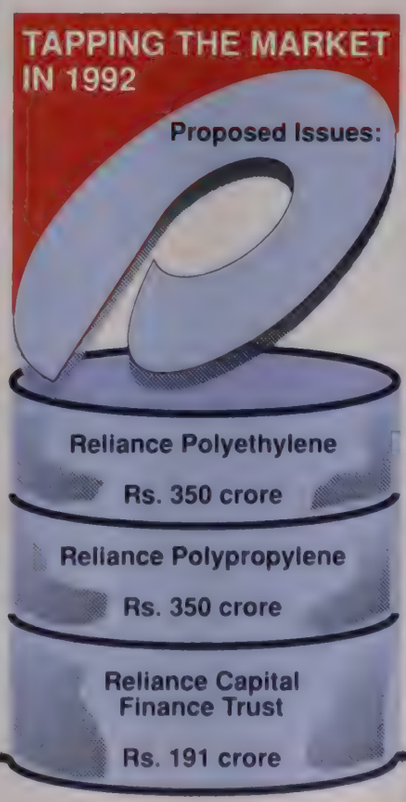
Strangely though, the three Ambanis are not choosy about the foreign media at all. Very recently, journalists from magazines like *Time* and newspapers like *Financial Times* were allowed to meet and quote the Ambanis. But when it comes to the Indian media, mum's the word.

only too inevitable.

But Reliance's integrated plans for the future stem from one man's vision. Even Dhirubhai Ambani's worst enemies agree that he is perhaps India's greatest entrepreneur, a visionary who straddles the Indian corporate landscape. And though his sons are now increasingly running the company, Dhirubhai's own role is unambiguously that of the chief strategist, providing one brilliant idea after another. Says one leading Bombay-based industrialist: "What sets apart Dhirubhai is that he just cannot bear thinking small."

Reliance insiders credit Dhirubhai with an uncanny ability to see into the future. Consider:

- In September 1991, Anil Ambani began talks with C. Itoh for the oil refinery project. Only in November did the government announce that oil refining would be open to the private sector.
- The Euro-issue, this year's feather in the Reliance cap, was actually conceived by Dhirubhai as early as in 1988 when, according to company functionaries, he anticipated the government's policy on allowing companies to access international markets.
- The merger of Reliance Petrochemicals with Reliance Industries, which was cobbled together in April this year, was yet another Dhirubhai idea to save the petrochemicals venture from disaster.
- The quiet transformation of two little known investment companies — Nim Investment & Leasing and Sincere Investment & Leasing — into two manufacturing companies dubbed Reliance Polypropylene and Reliance Polyethylene, was again a Dhirubhai idea. As new companies cannot make premium issues, these two small investment companies could help him do precisely that.
- Eight months ago, Reliance was grappling with the issue of transporting ethylene to Hazira for its downstream petrochemical units. It was Dhirubhai who had the bright idea of acquiring three Dutch ships for the purpose, and it was he who talked about setting up a shipping division. Today, Reliance's shipping division has a full-fledged president heading the show and plans are afoot to buy oil tankers. With two oil refinery projects in hand, this is more than mere coincidence.



Even as Reliance readies for the big leap to the global league and the two younger Ambanis come into their own, ace strategist Dhirubhai will still remain the group's chief architect, although perhaps not the hands-on kind. A Reliance insider sums it up: "Dhirubhai will keep charting out the blueprints for the group; his sons can take care of doing the actual building."

□ Sanjoy Narayan

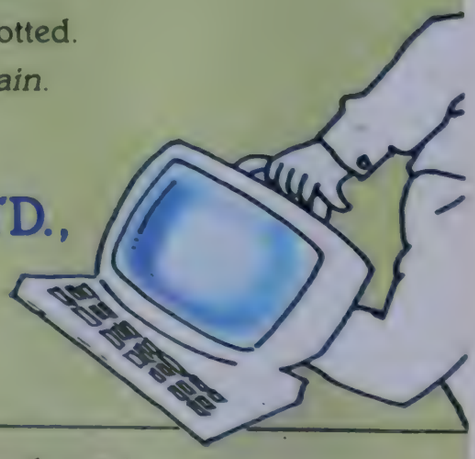
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IRON IMPETUS



The pig iron plant in Goa

Sesa Goa's foray into pig iron could give it an edge.

Why would one of Goa's iron ore majors arduously seek to diversify and switch to manufacturing? The answer to that, quite simply, is to cushion itself from the downswings in the international iron ore market.

The corporation in question: the Rs 122-crore Sesa Goa. Last month, the iron ore exporting and shipbuilding enterprise kicked off a 90,000 tonnes per annum (tpa) pig iron plant — six months behind schedule. The Rs 30-crore plant (at Amona in Goa), set up with assistance from Tata-Korf, is based on mini-blast furnace technology which uses coke instead of charcoal.

To be sure, the pig iron project is but the latest in a series of diversifications for Sesa Goa. Almost a decade ago, the company launched a barge-building venture, which later on became a medium-sized shipyard. This was followed up by a foray into software in collaboration with Stet Spa, the electronics arm of Instituto per la Ricostruzione Industriale (IRI) of Italy — Sesa Seat Information Systems.

While that new line of business is far from flourishing, what's clear is that the branching out into pig iron is a major move. For this will dramatically alter the company's fortunes. Pig iron is scarce, and most of the country's foundries have their backs to the wall. Total demand for pig iron is estimated at around 2.2 million tonnes, with production at half that level. So if Sesa Goa's pig iron plant runs at rated capacity, it will bring in sales of Rs 60 crore (the average price per tonne of pig iron is Rs 7,000) — almost 50% of the company's current total turnover of Rs 122 crore.

That's not all. The move into pig iron will also alter Sesa Goa's turnover profile. Right now, about 90% of turnover comes from its mining operations. (It produces around 4 million tonnes of iron ore annually and accounts for about 15% of the country's total iron ore exports.) The balance is chipped in by its shipbuilding and engineering divisions. But by next year, iron ore will contribute to just 65% of turnover; pig iron's share will be 30%, with the shipbuilding and engineering divisions chipping in the rest.

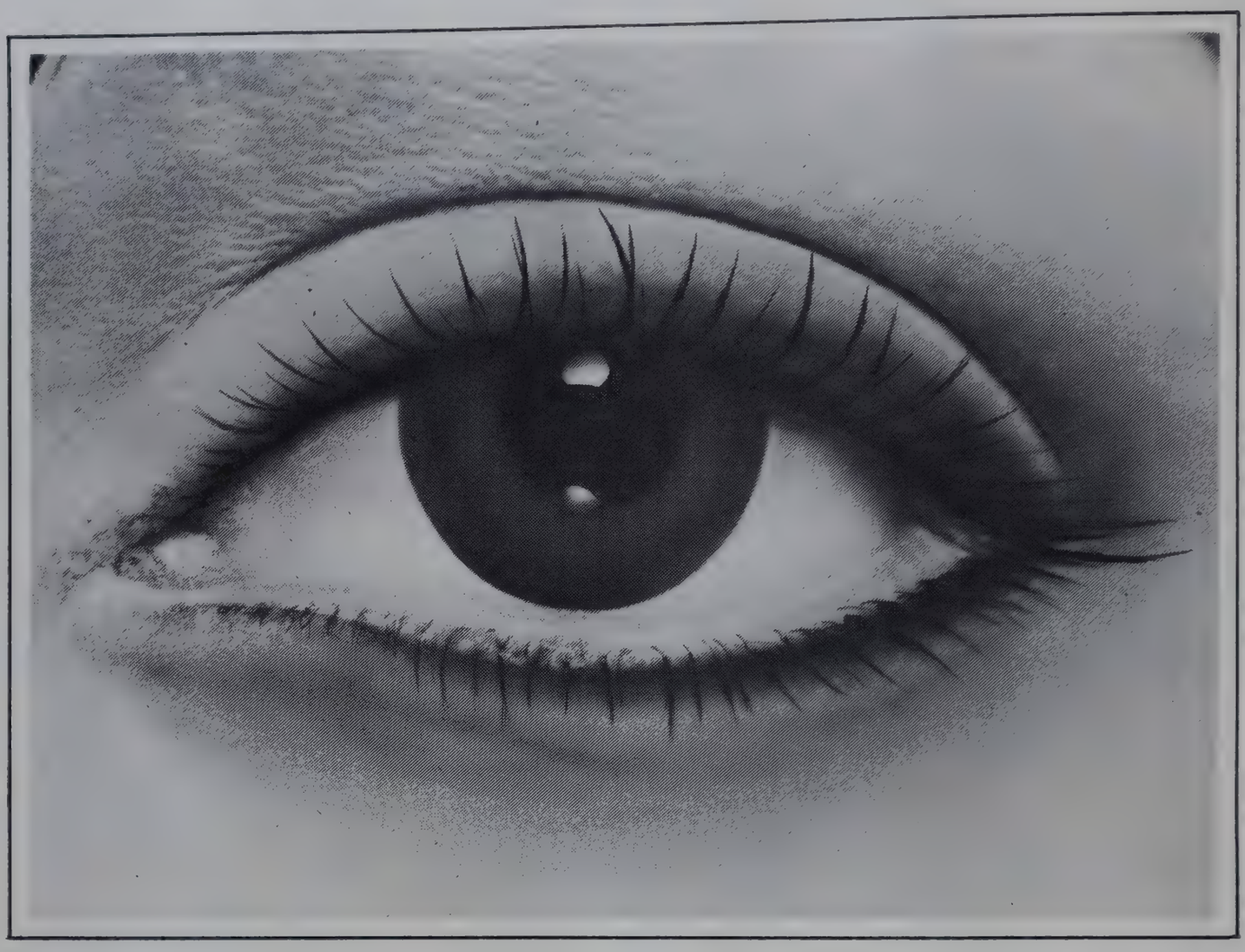
What, then, explains the delays in setting up such a key project? According to an industry source, the plant would never have taken off had Ilva Spa (which holds a 40% stake in SGL through Ilva International), the steel arm of IRI of Italy, not come to the rescue. "The Tata-Korf technology is not a proven one," the source claims.

Teething troubles. SGL managing director Antonello Girardi pooh-poohs the charge. According to him, the time overrun was mainly due to a one-year delay in the delivery of the metallic pre-heater, the only equipment to be imported for the pig iron plant. Says he: "We did encounter some teething troubles, like any other new plant, but they have been ironed out. The plant is operating at 75% capacity and will touch the cent per cent mark in two to three months."

In all this, what's clear is that Sesa Goa has been spreading its eggs in many baskets. Some of the diversifications were also meant to cut costs and meet in-house requirements, while others were aimed at seizing a business opportunity.

The shipbuilding division was floated to take care of the captive needs of transporting iron ore in barges. But, over the years, the division has begun executing orders for third parties. In hand is a Rs 5-crore order

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to build a landing craft for the defence sector. Besides, to curtail transportation costs, the division is building a Rs 23-crore transhipper for in-house needs, the design for which is being borrowed from the Italian company Coe E. Clerici.

The transhipper makes eminent business sense since 90% of Sesa Goa's iron ore is shipped overseas and half its exports is dependent on a transhipper. At present Sesa Goa coughs up Rs 31 per tonne as transhipment costs and according to director P.F.X. D'Lima, the company-owned transhipper, which is expected to sail by 1994, will bring about a cost saving of about 40%.

The engineering division, on the other hand, manufactures ship ancillaries, container handling cranes and beneficiation plants. Sesa Goa set up two beneficiation plants to upgrade the quality of its iron ore. Since the grade of ore available in Goa is around 57%, it needs beneficiation (in this case, the iron ore fines get upgraded to 62%) to make it acceptable in the marketplace. Sesa Goa has been looking around to execute turnkey contracts. For starters, it has bagged a Rs 4-crore order from the Damodar Mangorjee group.

While these two divisions are more or less on an even keel, the infotech venture hasn't really found its bearings. After the "successful" launch of



GIRARDI: *Upbeat*

the western India trade directories (a compendium of regional businesses covering Maharashtra, Goa and Madhya Pradesh), Sesa Seat has begun work on a directory catering to the southern region. But with directories proving not too profitable, Sesa Seat had hit upon a four-year-old plan to set up a full-fledged software export house which, as of today, is still firmly pinned to the drawing board. The result: the outfit which was supposed to break even by 1990-91 was still in the red by Rs 50 lakh in 1991, the latest year for which figures are available.

But D'Lima is confident that the subsidiary will wipe off the accumulated losses by next March. "It is a highly profitable area and cannot be dismissed so easily. Stet is providing all the logistical support," says he. This subsidiary is likely to go public by year-end. At present, Sesa Goa holds 60% of the equity; the balance is held overseas.

Investment plan. For the future, Sesa Goa has a Rs 200-crore investment plan spread over the next three or four years, to be financed by internal accruals and a rights issue. On the anvil is a second blast furnace and a coke oven to enable the company to double its pig iron output. Plans are also afoot to set up a ductile iron foundry — a move to integrate forwards — to roll out castings. "The castings will be of a quality this country has never seen before, imported or otherwise," boasts Girardi.

With all this going, Sesa Goa's turnover and profits have been on the upswing. Last year, turnover climbed to Rs 122 crore, from Rs 94 crore the previous year. Net profit at Rs 29 crore (unaudited) was up 425% over the previous accounting period's level. The spurt can be mainly attributed to the devaluation of the rupee and the tax exemption for profits from exports.

If Sesa Goa's turnover is set to climb even further this year, it is due to the pig iron plant. The iron ore industry the world over is passing through a recession after witnessing four consecutive good years. Besides, Japan, Sesa Goa's major customer, has gone easy on placing orders. But Girardi is not worried. He has spotted an alternative market in China. Meanwhile, he expects the world iron ore scenario to improve after 1994; until then "the pig iron project will shield us from the ups and downs in the iron ore business," says a sanguine Girardi.

Still, Sesa Goa has a long way to go before all its irons in the fire fructify, even if it struck when the iron was hot.

□ Roy Pinto



SESA GOA: A FIVE-YEAR PROFILE

(Rs crore)

Year ended March	1988	1989	1990	1991	1992*
Sales (including freight & other income)	51.37	77.79	103.80	118.88	145.00
Profit before tax	1.01	1.31	5.33	9.70	30.27
Dividend (%)	10.00	14.00	18.00	20.00	N.A.
Earning per share	1.81	2.14	6.58	10.60	39.15
Reserves	9.84	10.22	12.70	17.12	N.A.

* The figures for 1991-92 are on the basis of unaudited half-yearly results.
Source: Annual reports.

HEADY BREW

The Goodricke group has outperformed Tata Tea on several counts.

A plantation company, confined to north-east India and sticking closely to its knitting, is at first sight not the kind of corporation that would immediately make stock analysts whip out their calculators and frenziedly work out dividend cover, P/E ratios and the like. But in the case of the Goodricke group, a second look is revealing.

The Rs 83 crore group of tea gardens is less than half the size of star performer Tata Tea. The average daily volume of its equity on the stock exchanges is a mere 800 versus Tata Tea's 23,000. Yet Goodricke has actually outperformed Tata Tea a number of times on several counts.

In the mid-eighties, the two companies ran neck-and-neck in profitability terms. In successive years, both were named the most profitable companies in India. Subsequently, Tata Tea stole the show on Dalal Street and Lyons Range — its sheer size as the largest tea company in India, its pathbreaking and most successful foray into packaging and its significant diversification through the takeover of Consolidated Coffee made it a speculative favourite. And an important reason for all the hectic activity in its stock has been the relatively larger equity capital widely held among the public. In contrast, Goodricke still continues to fall in the ambit of the Foreign Exchange Regulation Act (Fera), with 74% of its equity held by the Lawrie group of the UK, and very limited floating stock in India.

Nevertheless, Goodricke manages to compare pretty well in terms of profitability. Both gross and net profit margins have been a little higher than Tata Tea's in all of the past six years. And, while both companies have paid high dividends, Goodricke's payout has been higher and further augmented by three bonus share issues in the past six years in generous proportions — 1:5, 1:1 and 1:2. Tata Tea has been, relatively speaking, more conservative in bonus issues — only twice in the last six years has it made a bonus issue, at a 2:5 ratio. Besides, Goodricke's equity price on the stock exchanges, after correction for bonus, has actually outperformed Tata Tea's over a five-year period.

However, the numbers and the returns for shareholders tell only part of the story. There has been real growth and, today, even while the company continues to maintain its traditional low profile, Goodricke has come into the public eye. Packaging of its garden produce, with the need to advertise in order to push sales volumes, has made the company's name and logo a little more familiar, at least among connoisseurs of tea.

GOODRICKE: FINANCIAL SNAPSHOT

(Rs crore)

	1991-92	1990-91	1989-90
Equity	21.60*	10.80	10.80
Reserves	—	33.63	27.05
Loans	—	0.62	0.62
Net fixed assets	—	24.17	19.96
Investments	—	1.18	6.01
Net current assets	—	19.70	12.51
Sales & other income	83.89	82.00	71.77
Pre-tax profit	21.64	28.04	25.49
Post-tax profit	9.74	13.59	12.39
Earning per share (Rs)	4.60	12.59	11.33
Dividend (%)	—	65.00	55.00

* The figures for 1991-92 are on the basis of unaudited half-year results.
Source: Annual reports.

Curiously, when other British groups have chosen to sell out, the Lawrie group (which owns Goodricke) has chosen to maintain and, in fact, expand its presence in India. Perhaps the explanation lies in the personality of Gordon Fox, who owns Lawrie. The strategy of expansion has perhaps not made waves, chiefly because it has been pursued in a very quiet but determined manner. Also, it has consisted in sticking closely to the knitting and, when a tea plantation company acquires one more small tea garden, it makes little splash in the newspapers.

The expansion strategy has been two-pronged. First, there has been the attempt to add value to the garden produce by packaging tea. In this, while Goodricke has followed the example pioneered by Tata Tea, it has been pretty successful in holding its own in a competitive market. Secondly, Goodricke has in the last eight years or so taken over a number of sick tea gardens in Darjeeling and nursed them back to health. The new gardens have been put under the aegis of separate companies (though with interlinked shareholding). Today, within a few years of their coming into the fold, they are doing very well indeed. In fact, when combined with the output of the original three gardens owned by the flagship company, the Goodricke group accounts for well over 12% of the Darjeeling region's total tea produce of around 12-14 million kg.

S.K. Bhasin, managing director of Goodricke for the last 13 years and chief architect of the company's present success, lists the reasons for the company's move into Darjeeling. "The main problem faced by the tea plantation industry in India is the lack of available land for expansion," he says. "And here were the sick Darjeeling gardens, run into the ground with lack of investment during the long years

that auction prices remained stagnant. The then commerce secretary in the government encouraged us. He said: 'Why don't the big companies do something for these dying gardens?'"

Thus began Goodricke's Darjeeling foray in 1984. In those years, gardens were available very cheap. The nine sick gardens, big and small, acquired and consolidated under the corporate structure of Tiru Tea Co (which this year became a subsidiary of the flagship company) entailed an investment of less than Rs 1 crore, though another couple of crore had to be spent almost immediately on rehabilitation. Further investment has continued.

"Narbong Valley, one of these gardens which today produces 2 lakh kg annually, had no factory, no labour quarters, and no office, and the workers were felling trees for firewood," says Bhasin. "Similarly, Castleton was in very poor shape. Today, all that has changed. Last year in July, Castleton set a world record — its tea fetched the unbelievable price of Rs 6,010 per kg."

If Goodricke is today king in Darjeeling, it has not neglected its old properties either. In the last three or four years, there has been a constant investment of Rs 4-6 crore a year in fixed assets alone. Over and above this, there is maintenance expenditure which gets treated in the revenue accounts, though in some respects part of the spending (in agricultural practices etc) are investments for the future. And all the gardens are in shipshape condition.

With a fair representation in all the tea-growing areas of north-eastern India (13 million kg output from Dooars, 10 million from Assam, 2 million from Cachar and 1 million-odd from Darjeeling), Goodricke manages to hedge its bets both in terms of weather conditions as well as the political climate in the region. The occasional spurts of political terrorism in Assam do cast a shadow, though, and a future problem could be to find skilled managers in some of the trouble-prone areas.

Expensive proposition. This, however, is a concern for the long-term. An important immediate matter is to find new areas for expansion, and Bhasin feels that acquiring existing gardens today has become a prohibitively expensive proposition. For example, the Assam Co was acquired by its present Indian owners from the Inchcape group last year for £30 million, for estates with an annual produce of around 16 million kg. This makes for an investment of around Rs 75 per kg of output, and this figure should be set against prices in the early eighties which were around Rs 12-14 per kg.

Bhasin says that Goodricke will remain interested both in acquiring existing gardens or in exploring possibilities in new tea-growing areas like Himachal Pradesh, but the current emphasis is on finding better margins for the output by packaging the produce. After tentative beginnings, Goodricke's packaging effort currently stands at 5 million kg, about 18% of its output, and the target is to immediately push this to 7 million (25%). "We don't make a lot of profit in this," says Goodricke finance director D.K. Mehra. "But the brand-name is established, and this has been an investment for the long term. We have reached take-off stage, and we shall now continue to grow. If auction prices suffer, our bottomline will take less of a beating."

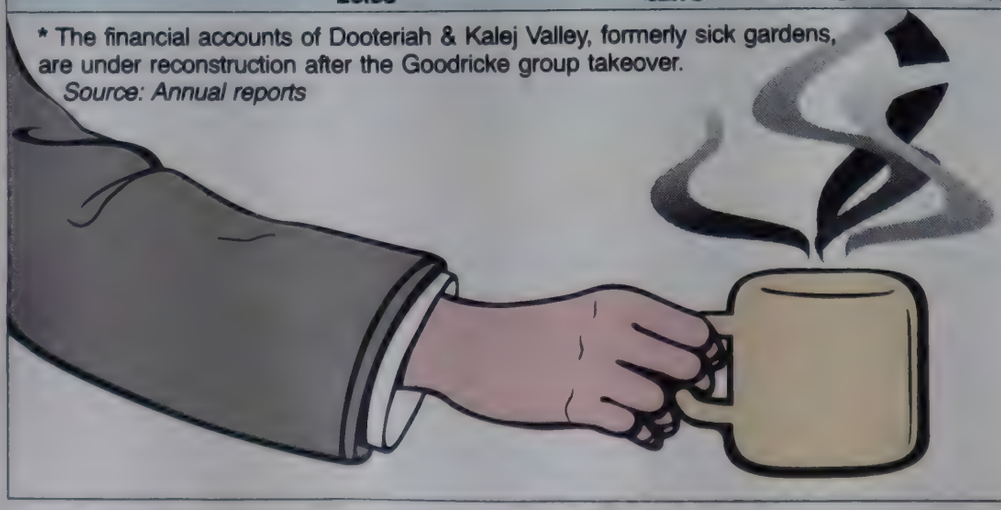
Both Bhasin and Mehra agree that Goodricke's strategy is hardly to challenge the big boys — Brooke Bond, with annual sales of 120 million kg, Lipton with 50 million, and Tata Tea with an estimated 40 million kg. "We have consciously decided not to blend our tea with inferior varieties," says Bhasin. "Rather, the idea is to cater to consumers who want superior, unadulterated stuff, and are willing to pay a little more. So far, we have packaged

THE GOODRICKE GROUP COMPANIES

	Produce (Million kg)	Gardens in	Net worth (Rs crore)	Sales, other income (Rs crore)	Post-tax profits (Rs crore)	Dividend (%)
Goodricke	16.92	Dooars, Assam, Darjeeling	44.43	82.00	13.59	65
Koomber Tea Co	2.11	Cachar	3.76	7.41	0.83	55
Stewart Holl (India)	3.68	Assam	8.72	19.24	2.91	70
Angoorie India	2.99	Assam	5.52	14.65	1.12	40
Tiru Tea Co	0.80	Darjeeling	0.36	5.68	0.42	—
Dooteriah & Kalej Valley	0.35	Darjeeling	*	3.00	—	—
	26.85		**62.79**	**131.98**	**18.87**	

* The financial accounts of Dooteriah & Kalej Valley, formerly sick gardens, are under reconstruction after the Goodricke group takeover.

Source: Annual reports



REPORTS

and branded leaf tea, but now we are trying out the CTC varieties."

Packaging has, however, so far been entirely for the domestic market, and Bhasin admits he hasn't been able to export tea in a packaged form. "So far, we have exported only the bulk variety; and we cannot really expect to establish a brandname abroad," says he. "Some discussions are on to have tieups with foreign blenders to sell under their brandnames, and we are hopeful about this," he adds.

Goodricke's export thrust this year is a departure from the immediate past. So far, till the recent devaluation of the rupee changed calculations, selling at the Indian auctions was a more paying proposition. In the last few years, therefore, only a token presence was maintained in overseas markets. This year, the target is to export 5 million kg, five times more than the usual 1 million per year. Bhasin expects a buoyancy in world tea prices in the next couple of years, and is optimistic that Goodricke's exports will maintain an upward trend.

The matter of auction prices remains, next to the weather, the greatest matter of uncertainty for all plantation companies. Currently, after the reasonably happy decade of the eighties, the early nineties have started on an optimistic note. Indian producers are of course helped by sustained domestic demand, but even international prospects look good. There is a worldwide shortage, and Bhasin says that even the Assam first flush has sold at record prices this year, which is a good omen.

As far as the Indian industry is concerned, the reduction in Russian demand from 120 million kg last year to 65 million currently could pose a few problems. But Bhasin points out that Russia would normally buy 90 million kg, and it is only after Chernobyl that demand from India became higher. This year, the drop in Russian buying has corresponded with a drought in India and lower output. With demand from the rest of the world as well as from the domestic market on the increase, Bhasin sees no cause for undue concern that auction prices may turn weak.

His colleague Mehra is, however, much more cautious about Goodricke's bottomline. "All costs have been sharply on the increase," he says. "And with the high tax rate on the Indian tea industry — which we all feel is most discriminatory, since the effective rate is 65% against 45% for rest of industry — we have to find ways of tax saving. Nabard (National Bank for Agricultural & Rural Development) deposits of 20% of pre-tax profits help in this respect, but the lock-in period is a year. The need for capital investment is there, and therefore we shall continue to have a bit of a cash crunch. The bottomline for 1992-93 may grow, but I would be loathe to make wildly optimistic estimates," Mehra adds.

While such caution is understandable, Goodricke faces the immediate future with confidence. Shareholders should be happy enough because more profits will mean more rewards. But while obtaining their high dividends and bonus shares, they should be even happier that Goodricke's generous distribution policy is not at the expense of growth, and that Bhasin and his team are aware that the prime need today is to maintain the momentum of the eighties in this new decade.

□ Subrata Roy



PRESSING AHEAD

The Pressman group is diversifying into agri-exports and stepping up its presence in the financial services industry.

Pressman is a financial advertising enterprise, right? True, but if Pressman group boss H.C. Suchanti has his way, his Rs 53-crore group will spread its wings far wider, to embrace such businesses as merchant banking, underwriting, mutual funds and exports of fruits, vegetables and flowers, to name a few.

That's not all. After a protracted legal battle, the Suchantis acquired control of Sinclairs hotel in Darjeeling. Now, another hotel in Port Blair is being added to the stable. Suchanti is also building a Rs 1.5-crore corporate office in Calcutta to house all his businesses under one roof.



SUCHANTI: *Concentrating on leasing*

The Pressman group, with offices in Bombay, Calcutta, Madras and other cities, has a leasing company called Pressman Leasing, and a hotels division. For years, the group topped the totem pole in financial advertising billings (Rs 40 crore in 1991-92) but was pipped by arch rival Sobhagya Advertising last year (Sobhagya's capitalised billings: around Rs 45 crore). The group is, in fact, currently concentrating more on the leasing business.

That's because Pressman Leasing didn't fare too well last year, principally owing to the jacking up of bank interest rates and the tight money position for leasing companies. As Pressman group chairman H.C. Suchanti says: "Business was not congenial for us."

That's changed this year. Already, Pressman Leasing has Rs 10-crore worth of business under its belt and Suchanti says he's set himself a Rs 30-crore target for leasing by 1994-95.

Using Pressman Leasing as a vehicle, the Suchantis hope to enter non-fund-based financial services like merchant banking, underwriting and portfolio management. Pressman Securities, an existing unit with a capital of Rs 72 lakh, is to promote a mutual fund and act as an asset management company.

The leasing outfit is also studying a proposal to export vegetables, flowers and fruits after acquiring large tracts of land in Karnataka or Andhra Pradesh. A state-of-the-art packaging plant, again with an eye on exports, is on the anvil.

On the hotel front, the Suchantis plan on merging the small, newly-acquired Sandel Resorts with Sinclairs and double capacity at the Port Blair hotel to 48 rooms.

As for Pressman Advertising, the going won't be as good this year as in the past, what with the bull run in the stockmarkets at an end. But Suchanti is unfazed: "An issue sells in a booming market but in a depressed market like now, the real merit of an agency comes into play. Our success rate is quite high as we have around 150 assignments in hand throughout the country, all relating to issues and debentures." And he's confident that group turnover will touch over Rs 60 crore by next year.

The big question, however, is whether all of Suchanti's big plans will take off. What's clear is that even if they don't, it won't be for lack of advertising.

□ Ashoke Laha

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CASTING NEW LIGHT

Mysore Lamps is going upmarket and seeking a foreign partner.

It's seeking a new focus. Suddenly, the Bangalore-based joint sector company (1991 turnover: Rs 49 crore) is going upmarket into more profitable products, shedding more pedestrian products to an ancillary unit, bidding for overseas turnkey jobs and scouting for a foreign collaborator. What's more, Mysore Lamp Works is moving in front of the arc lights with a new managing director. Subir Hari Singh, the man at the helm, says he wants to turn this profit-making company into a total lighting solution outfit. "We have an illumination design cell which should soon become a full-fledged research and development wing and value-added lighting systems and products are going to brighten our future," he adds.



HARI SINGH (L) & MUNISWAMY: *Tough task ahead*

If a major revamp is under way at Mysore Lamps, it's because the GLS (general lighting system) bulbs industry is caught in the throes of fierce competition. It has to contend with GLS heavyweights such as the public sector HMT and private sector Sylvania Laxman and Peico. With the industry suffering from a surfeit of production capacities, several companies have faced battered bottomlines.

Mysore Lamps has already begun focusing on illuminating historic relics. The aggregate value of the jobs executed: up to Rs 3 crore. Luminaires and high-mask lighting equipment are the other businesses the company is aggressively pursuing. Says chairman Chikkappaiah Muniswamy: "Luminaires alone should chip in with a turnover of about Rs 15 crore during 1992-93, and that's as much as a quarter of the projected gross turnover."

In the process, Mysore Lamps is gradually shifting from the bread-and-butter business of manufacturing GLS bulbs, although it's not abandoning it either. Instead, it's promoting an ancillary unit 70 km from Bangalore, at the Kolar Industrial Estate. Small businessmen will be provided with technical and marketing assistance to make GLS bulbs and related components. In turn, Mysore Lamps will market these. Explains Muniswamy: "This concept does not require Mysore Lamps to commit capital to GLS production, capital which can be diverted to the high value-added lighting systems."

The project will be financed by the nationalised banks, and refinanced by the National Bank for Agricultural & Rural Development. Says Muniswamy: "Mysore Lamps needs 40 to 50 million GLS pieces and 10 million pieces of fluorescent tubes during 1992-93."

Its pre-occupation with value addition involves turning the spotlight on other, more profitable, lighting products — fluorescent tubes, chokeless mercury vapour lamps, sodium vapour lamps, quartz tungsten halogen lamps and metal halide lamps. Says Muniswamy: "Soon special purpose lamps such as those used in the printing industry, projectors, surgical theatres and aviation should account for the bulk of the revenue."

This is not all. In a desperate bid to hit the earnings target of Rs 3.50 per share this financial year, Mysore Lamps is pushing hard on the export front. While the target still is to maintain exports at Rs 30 crore this year as well, (all exports — GLS lamps and luminaires — are to Zambia), the Bangalore company is trying to bag more overseas turnkey jobs. It has already set up a GLS plant for the Nepalese government, and is currently evaluating a similar proposal from a Tanzanian company to put up a fluorescent lighting project.

Behind the export drive is the company's need for foreign exchange. Simultaneously, efforts are on to trim the import bill. Imports primarily consist of sodium for arc tubelights, quartz glass and phosphor powder, used in tubes and lead glass tubes. Together, these add up to a little over 10% of the total materials used last year. Says Hari Singh: "We have an integrated components complex and efforts are on to make as many components in-house."

Interestingly, Mysore Lamps has begun scouting around for foreign collaborators. Confirms Muniswamy: "We are looking at a tieup with some South Korean and Japanese majors, but it is too early to say anything final about this."

Last but not the least, efforts are on to revive the Karnataka Tungsten and Molybdenum (KTM) project, whose cost has bloated from the earlier estimated Rs 12 crore to Rs 30 crore, thanks to the devaluation of the rupee.

The big question, of course, is whether the new strategy will work. With the lamps industry frequently going on the blink, managing director Singh has a tough challenge ahead of him. The next few years will throw some light on the success or failure of Singh's strategy.

□ A.H. Ghani

RECIPE FOR GROWTH

The overseas takeover of its parent cheers Thomas Cook.

For Thomas Cook (India), the news couldn't have been more cheering. Thanks to the overseas acquisition of its parent company, the Indian affiliate is poised to rustle up some extra business.

When the new order will come into place is still not clear, but the deal provides a chartering arm for Thomas Cook worldwide. In turn, this will give the travel and tourism company greater access to various locales around the world. This, of course, applies to the Indian affiliate too, and its chairman, Dipanker Basu, says: "This takeover will infuse greater strengths and add newer dimensions to Thomas Cook's operations."

The overseas transaction involves the LTU group of Germany and Westdeutsche Landesbank, unified Germany's third largest bank and a 34% stakeholder in LTU. In early June, the LTU group bought over a 90% stake in the Thomas Cook group from UK parent company Midland Bank for £200 million, with the German bank picking up the remaining 10%.

LTU is the only company in Germany which both operates tours and chartered flights. Its 28-aircraft fleet touches 63 destinations around the world.

The question, of course, is: will the Thomas Cook group retain its independence now that it's become a wing of another company? Thomas Cook (India) managing director Pradip Madhavji replies: "We have been assured that Thomas Cook worldwide will be regarded as a stand-alone operation, though with all help and support necessary from the new parent, and that there will be no restructuring of either its management or its corporate policies."

The overseas takeover comes at a time when the local outfit is embarking on a major expansion drive. It has just received Reserve Bank permission to open exchange counters at all the entry and exit points of the major international airports. Moreover, the travel and foreign exchange dealing outfit has been furiously opening new offices around the country. A new office has opened in Calcutta, the fourth in Bombay has opened at Worli, and another office at Jaipur is in the works — taking the total number of offices in India to 15.

So is Thomas Cook (India) readying to take on chief rival American Express? Company officials dismiss the question, arguing that the two concerns focus on different businesses. "One is a bank that provides travel services, while we're a tourism company that provides tourism-driven banking services."



MADHAVJI: *Looking to the new parent for help*

Thomas Cook's (India) business can broadly be divided into two categories: tourism and ticketing, and travel-related foreign exchange. The first accounts for up to 30% of gross trading revenue; the second brings in the remaining 70%. The foreign exchange activities include the sale of international travellers cheques (with a marketshare of 30%, it claims to match American Express's share — American Express officials, however, insist that the bank is the industry leader. Barclays, Citibank and others constitute the rest). It also includes retail operations (buying and selling foreign exchange at different bureaux) and wholesale operations (buying foreign exchange from various hotels, restricted money changers like shops and from full-fledged money changers).

Unquestionably, Thomas Cook (India) is making a bid for the number one slot in both its areas of functioning. Local rivals such as Sita Travels and Raj Travels have established themselves in the tourism market. So Thomas Cook is trying out upmarket travel packages, among other things, to beat off any challenge. Example: the 'India Alive' package, aimed at upper middle class and middle class Indian travellers, shortlists spots such as Kulu Manali (a six-night tour whose bill can come to about Rs 12,000 per person) or Kanchenjunga (a five-night tour that costs up to Rs 15,000).

What's more, Thomas Cook group chief executive officer Peter Middleton recently promised minister of tourism Madhavrao Scindia that all the 1,600 Cook offices in 120 countries would promote tourism in India, 1-14 days a year. One beneficiary will be the group's Indian arm, whose business (15,000 tourists last year) should further burgeon.

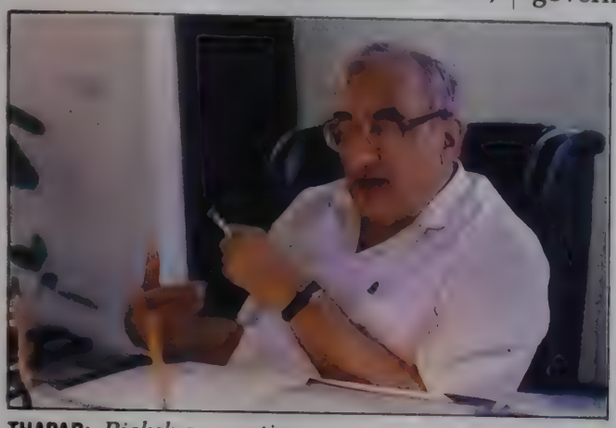
To be sure, the company has set a respectable pace of growth. Gross trading revenue at Rs 16.66 crore is up 64% over the previous year's Rs 10 crore; pre-tax profit at almost Rs 4 crore is a good 97% more than the preceding year's Rs 1.87 crore.

Still, the near future could see even more competition — more than one international travel agency is expected to set up shop in India. But Madhavji, who's steered the company for the past 13 years, isn't fretting. His ambition is to virtually double the current gross profit of Rs 7.93 crore to Rs 14 crore by the time he retires in three years. The achievement of that ambition will depend on what he's now cooking up at Thomas Cook.

□ D.N. Mukerjea in Bombay

BRIEFS

■ Production of diesel-run autorickshaws for the first time in the country will commence at the **Greaves Cotton** auto unit in Baramati in October 1993,



THAPAR: *Rickshaw sortie*

says its chairman L.M. Thapar. The current plan is to manufacture 8,000 rickshaws in the first year of commercial production. This will be gradually raised to 30,000 by the end of the fifth year.

■ The government's dithering over the gas allocation policy has forced Gujarat Industries Power Co Ltd (**GIPCL**) to put its expansion plans on the backburner. GIPCL chairman K.C. Mahapatra says the blueprint for doubling the power generation capacity to 300 mw and augmenting its infrastructure is ready but the availability of gas from the Gandhar oilfields in Gujarat is still uncertain.

■ The **Shriram group** is setting up a sophisticated aerosol valve project — Pavron Spraytech — in Bangalore at a cost of Rs 1 crore. The company has for the purpose entered into a technical collaboration with US firm Emson Research Inc.

■ Visveswaraya Iron & Steel Ltd (**VISL**) has mooted a proposal for a joint sector hydroelectric project with Karnataka Power Corp for dedicated power supply to its plant. The company has also taken up a number of schemes to boost productivity.

■ **Kirloskar Electric** has bagged an export order to Egypt for more than 3,000 electric motors worth Rs 5 crore. The motors are to be used for sprinkler irrigation to reclaim 65,000 acres of desert. This is the largest export order bagged by the company so far.

■ National Aluminium Co (**Nalco**) has signed a memorandum of understanding (MoU) with the Union government for the export of 4.20 lakh tonnes of alumina and 65,000 tonnes of metal in 1992-93. The MoU was signed in New Delhi on 9 June by Union ministry of mines secretary V. Krishnan and Nalco chairman & managing director S.N. Johri.

■ In order to entrench itself in the Indian market, Asea Brown Boveri (**ABB**) plans to modernise and expand its activities in a massive way within the next five years at a total cost of Rs 700 crore with foreign investment comprising $60 million (Rs 168 crore). A sum of Rs 200 crore has been set apart for a new powerline equipment factory to be set up in either Gujarat, Maharashtra or Karnataka, says ABB vice-chairman & managing director K.N. Shenoy.

■ **Hindalco Industries,** an Aditya Birla group company, is planning a major expansion and diversification programme involving Rs 1,100 crore over the next three years. The company plans to go in for a Euroissue of $110 million to part-finance the expansion programme, says Hindalco Industries president A.N. Agarwala.

■ The Karnataka government has approved the Rs 2,000 crore project of the Delhi-based **Jaiprakash Industries** to set up an integrated steel plant at Mangalore. It has also approved the Rs 800 crore project of the **R.P. Goenka group** to set up a unit near Bangalore to manufacture colour television sets, video cassette recorders, washing machines, microwave ovens and fax machines.

■ The **Thapar group** has approached multinationals such as the US conglomerate MW Kellog, Union Carbide, Dow Chemicals and the German Linde AG for technical collaboration for its Rs 3,000 crore Assam gas cracker project.

■ **Indian Rayon & Industries** has decided to double its capacity of carbon black to 4,000 tonnes per annum. Effective steps to implement the expansion have already begun and orders for major equipment will be finalised in the next few months. The company expects to complete the expansion by September 1993 and be in a position to cater to additional demands of the industry by October 1993.

■ Consumer products giant **Hindustan Lever** is under scrutiny by the Monopolies & Restrictive Trade Practices Commission (MRTPC) for allegedly manipulating the prices of its products to deter competition from small-scale manufacturers, says *The Economic Times*. MRTPC has ordered the director general of investigation & registration to undertake a preliminary probe into Hindustan Lever's pricing policy for Wheel detergent cake and its repercussion on small-scale manufacturers of detergent cakes.

■ The proposal to privatise Indian Iron & Steel Co (**Iisco**) has acquired a new dimension with the Rais of the **Usha Rectifier** group jumping into the fray, says *The Economic Times*. The Rais submitted their proposal for the takeover of Iisco to the steel ministry on 11 June. The other contenders are Mukand Steel, the Mittals of the Ispat group and Lloyd Steel. Usha Rectifier chairman Vinay Rai is optimistic. Says he: "We are confident of turning around Iisco with our expertise in the steel industry."

VINAY RAI: *Gunning for Iisco*



BRIEFS

■ **Siemens India** is planning a Rs 100 crore project for the manufacture of switching equipment at the Salt Lake electronics complex in Calcutta, according to managing director E. Reinhardt. The company is also continuing its foray into the power sector. It will introduce gas-insulated switchgear for power distribution, the manufacture of which will commence at Kalva in Thane district of Maharashtra.

■ **BTW Industries** has undertaken the implementation of the second phase of its project for quarrying and processing of granite tiles, slabs and monuments by setting up a 100% export-oriented unit (EOU) at an estimated cost of Rs 38 crore. The project is located at Jeypore in Orissa and on completion of the second phase the processing capacity will be increased to 2.45 lakh sq metres.

■ **Lan Eseda Steels** is setting up a Rs 290 crore steel mill complex to produce steel bars, rounds, light and medium construction steels, carbon and alloy steel ingots and castings. The plant is being set up at Gondia in Bhandara district of Maharashtra.

■ The public sector **Cochin Refineries** has drawn up a 15-year expansion, diversification and modernisation plan based on its seventh plan achievements, according to its chairman & managing director K.L. Kumar. Under the programme, the company's refining capacity will undergo a Rs 461 crore expansion.

■ The joint sector Southern Petrochemicals Industries Corp (**Spic**) is to tie up with the American seed company Pioneer for producing hybrid seed varieties. The company's seed division is already producing hybrid tomato, sunflower and cotton seeds.

■ The Board for Industrial & Financial Reconstruction (BIFR) has sanctioned a Rs 8.6 crore rehabilitation scheme for the Ludhiana-based, ailing **Majestic Auto** of the Munjal group. As per the scheme, the company will modernise and upgrade the moped engines it manufactures to make its vehicles fuel-efficient. The company will also start manufacturing certain bicycle parts such as chain wheels.

AWARDED

■ Rajasthan Electronics & Instruments Ltd (Reil), a public sector enterprise, has won the first prize for excellence in the areas of **control instrumentation** and **industrial electronics** in 1991.

■ Expo Machinery, the marketer of Kelvinator refrigerators, has been awarded the **consumer award** for 1992. The award has been instituted by the Consumer Federation of India and the company has been rewarded for its prompt response to consumer grievances through its efficient after-sales services.

■ National Hydroelectric Power Corp (NHPC) chairman & managing director M.A. Hai has been conferred the **Vikas Shri** award for 1991 for his contribution to social and economic development. Instituted by the All-India Socio Economic Forum, the award was presented at a seminar on "Projections of New Economic Policy" in Bombay.

■ Travellers Club, started to look after the needs of non-resident Indians (NRIs) and multinationals visiting India, has bagged the **Hind Rattan** award at the fourth international convention of NRIs held in Bangkok. The award has been instituted by the NRI Welfare Society of India.

■ GTN Textiles of the Patodia-GTN group has won the cotton textiles export promotion council's (Texprocil's) award for **export performance** in cotton yarn for 1990-91. The company has bagged the award for the sixth year in succession. The award was presented in Bombay to GTN Textiles vice-chairman & managing director B.K. Patodia by Union minister of commerce P. Chidambaram.

■ The Observer award for the best **political journalist** for 1991 has been bagged by Srinivas Laxman of *The Times of India* for his story on the refuelling of US planes in Bombay. The award for best **business journalist** has been won by V. Shankar Aiyar of *Indian Express* for his stories on the sale of gold by the Reserve Bank in July 1991.

HAPPENINGS

■ The Indian Merchants' Chamber (IMC) will accommodate Indian exhibitors at the **Taipei International Trade Fair** at Taipei from 26 to 31 August. The fair is being organised by the China External Trade Development Council (Cetra). IMC has been alloted 20 booths.

Contact: Indian Merchants' Chamber, IMC Marg, Churchgate, Bombay 400 020. Tel: 2046633.

LAUNCHES

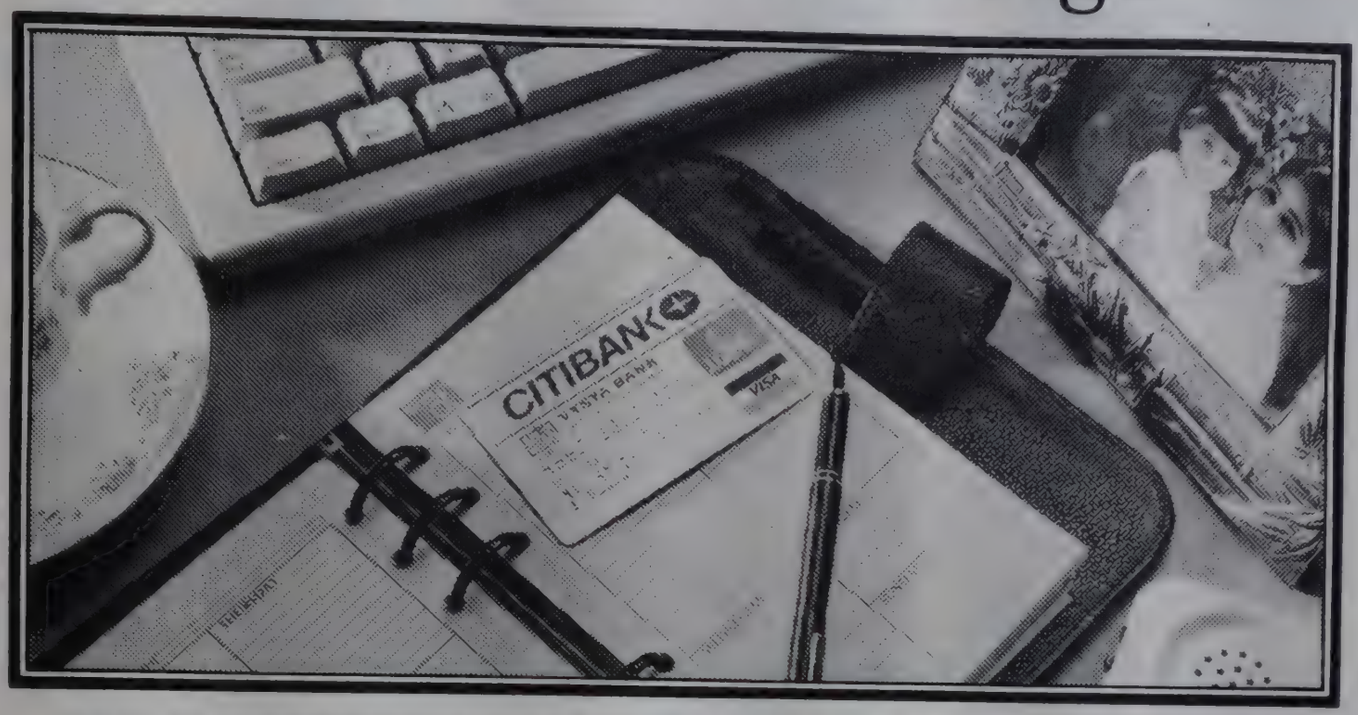
■ Spire Corp of the US has developed **SPI-Array Tester 750,** a portable unit capable of measuring and recording the current and voltage characteristics of a photovoltaic module. The tester can measure modules, or groups of modules, whose output power ranges from 10 to 40 kw. The Indian agents for the tester are Madras-based Engineering Tools & Services.

■ Apar, makers of Cema bulbs and tubes, have recently launched a **tubelight** that it claims will offer 25% more light than any other. Called New Cema Super TC-3, it gives 7,500 hours lamplife in regular use. The filament used — TC-3 triple coil — has been developed in collaboration with Falma of Switzerland and can withstand even the widest voltage fluctuations.

APAR'S NEW TUBELIGHT: *Brighter*



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BW 01

SUMMER TRAINING: MAKING THE MOST OF THE 'HALF MBA'

Mid-course projects are no longer restricted to inconsequential door-to-door surveys.

Ashish Rajpal was the most relaxed man on campus when recruitment season arrived, earlier this year, at the Xavier Labour Relations Institute (XLRI), Jamshedpur. Most of his batchmates in the graduating class of '92 lived from interview to nerve-wracking interview, uncertain where they would finally find jobs; Rajpal, on the other hand, knew well in advance where his immediate future lay: at Procter & Gamble (P&G).

Some six months earlier, working on a summer project for the multinational corporation, the young Delhiite had impressed senior executives sufficiently to qualify for a "cold offer," an invitation to join the company as a management trainee after graduating from XLRI. He's now a brand assistant at P&G's Bombay headquarters.

The company didn't make an exception of Rajpal; nearly 40% of its intake of freshly minted MBAs this year did their internship at P&G. And personnel manager Ronald D'Souza says he's keeping a close eye on the batch of to-be MBAs that is currently working on summer projects for the company. "If the summer intern is good, and his profile matches our expectations, there's no reason why he should not be offered a job after he finishes his training," he says.

For management students, summer training has taken on a new, more meaningful dimension. Like P&G, an increasing number of companies are beginning to realise that today's 'half MBAs' are more than cheap labour; they are prospective employees. And while the pre-placement offer (PPO) is far from being the rule, it certainly isn't the exception.

Some companies (P&G, ANZ Grindlays and Citibank, for example) do it officially, on paper. Others issue verbal promises that are made good by their representatives when they come round to the campuses to conduct formal interviews. Thus far, the phenomenon has been confined largely to students from the 'premium' management schools — the Indian Institutes of Management (IIMs), XLRI, the Jamnalal Bajaj Institute of Management Studies (JBIMS) in Bombay and the Faculty of Management Studies (FMS) in Delhi. But indications are that summer trainees from smaller schools are beginning to receive more attention from companies than previous batches.

That companies are taking the 'half MBAs' seriously is amply borne out by the nature of summer projects assigned to the trainees. A few years ago, their assignments were confined to the sort of menial work full-time employees were reluctant to do — door-to-door surveys, in the main. Many of today's executives remember being treated as glorified peons when they did their summer training. Says

THE SUMMER OF 1992 : A REPRESENTATIVE PICTURE

COMPANY	SUMMER TRAINEES IN '92	SALARY RS	WHETHER THE COMPANY MAKES PRE-PLACEMENT OFFERS
Hindustan Lever	100	2000	
ANZ Grindlays	67	2000	
Asian Paints	27	1500	
RPG Enterprises	43	1750	
HTA	5	1000 - 1500	
Procter & Gamble	36	2000	
Citibank	70	2500	

YES

NO

CAN"T SAY

Source: Companies

one senior manager, who now helps train summer interns at a Delhi-based information technology company: "When I was a trainee, most of my time was devoted to carrying files from one departmental boss to another. It was a thoroughly degrading experience."

How things have changed. Last year, RPG Enterprises assigned its trainees with two highly competitor-sensitive projects, requiring them to devise marketing strategies and draw up nationwide distribution systems for a range of shaving products and men's toiletries. Asian Paints asked one of its interns to suggest a branding strategy for a key product. Neither company has had any cause to regret giving the novices so much responsibility; all three project reports are now being implemented.

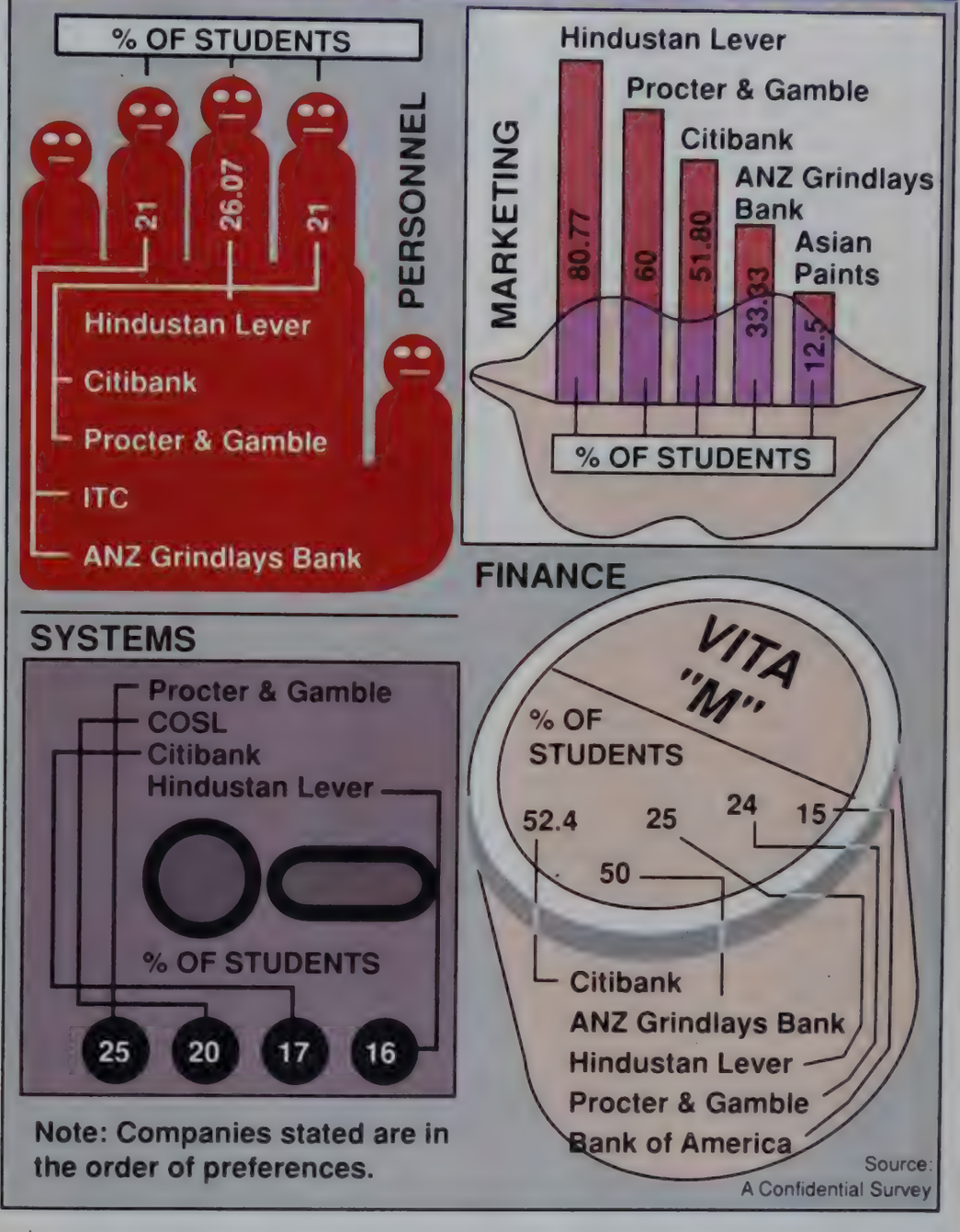
Many companies now offer trainees a wide variety of interesting projects to choose from. Says Citibank director (human resource development) Ganesh Shermon: "These (trainees) are reasonably clued-in on what is going around them; it would be foolish to expect them to work on inconsequential projects." In an interesting experiment, ITC recently asked one of its trainees to prepare a project report entitled *Summer Trainees in ITC Ltd: Patterns of Expectations and Role Fulfilment*. One of the key objectives was to draw up "an action plan of preparations prior to a summer trainee's arrival."

The multinational giant would probably do well to take a leaf or two out of ANZ Grindlays' book. At the bank, projects are drawn up by senior managers and offered to interns only after being ratified by general managers. Careful attention is paid to the matching of projects with the trainees' choice of specialisation (marketing, finance, systems or personnel). Six of the projects on offer at the bank's Calcutta offices this year were dropped because the right match could not be achieved. Says personnel manager G. Ravindran: "The old perception that just about any project can be thrown at trainees no longer holds true." Adds Hindustan Lever recruitment manager T.M. George: "Our projects are designed to stretch the capabilities of the trainees to the maximum."

In return, management students expect better stipends for the 8-10 weeks they spend under training. Five years ago, most trainees were grateful for the 'privilege' of working in a blue-chip company. Says a mid-level executive in a foreign bank: "Many of the trainees didn't even dare ask how much they'd be paid, for fear of annoying the big shots. They simply waited till the end of the month to find out." Now, nearly one in every two students expects between Rs 1,500 and Rs 2,500 a month (see chart). Less than a third are prepared to settle for just any nominal amount.

While they work on their assignments, the trainees come under close scrutiny from the senior executives of the company concerned. Many companies have devised structured rating systems for this purpose. A Citibank intern is rated on 26 different variables and assessed on a scale of one (very weak) to five (exceptional). Says Shermon: "We don't expect ingenious solutions to all the complex problems discussed in the report; what we look for is the trainee's ability

STUDENTS' TOP OF THE CHARTS



Note: Companies stated are in the order of preferences.

Source: A Confidential Survey

to grasp the subject."

For its part, RPG Enterprises looks out for communication skills, punctuality, sense of responsibility, sociability and general awareness, among other things. At ANZ Grindlays, project reports are carefully examined for analysis of the trainees' knowledge, judgement, initiative and resourcefulness.

This elaborate process automatically enables the companies to identify potential recruits. The best trainees in a batch working for a company are either given PPOs before they return to the campuses, or are marked out for special attention at the placement interview stage.

Of course, this system has its flaws. Companies like Hindustan Lever, Asian Paints and Madura Coats consciously avoid making pre-placement commitments, in writing or otherwise. Says Madura Coats personnel director P.G. Menon: "Summer training is not a consideration for final recruitment."

Asian Paints personnel executive Divya Jha explains why: "If we gave our trainees PPOs, we'd be discriminating against their batchmates who are doing their summer projects at other companies." And, since management schools insist that every student accepts the first summer project he or she is offered, the companies have no means of choosing the best talents in a batch. As Jha points out: "A trainee working with us may produce a competent project report, but we cannot be sure that some batchmate of his, who's working somewhere else, wouldn't have done a better job."

ITC RECENTLY ASKED A TRAINEE TO PREPARE A REPORT ENTITLED *SUMMER TRAINEES IN ITC LTD: PATTERNS OF EXPECTATIONS AND ROLE FULFILMENT*. ONE OF THE KEY OBJECTIVES WAS TO DRAW UP "AN ACTION PLAN OF PREPARATIONS PRIOR TO A SUMMER TRAINEE'S ARRIVAL."

On the other hand, companies that do make PPOs maintain that they judge their trainees individually, on an absolute scale, rather than a comparative basis. If a trainee is found to meet the company's requirements, does it really matter that he or she may not be the best in the batch? In any case, making "cold offers" to a few trainees doesn't disqualify a company from conducting campus interviews in the recruitment season. As Britannia Industries vice-president (HRD) Asit Sirkar puts it: "In such cases, it's prudence, not policy, that should prevail."

Of course, despite all the time, effort and money they invest in summer projects, not all companies find suitable candidates for PPOs amongst their interns. But they still benefit in the long term. A company that takes its trainees seriously inevitably gains invaluable word-of-mouth publicity on the campuses. Says FMS' Nitish Kapoor, who is currently working on a summer project at ANZ Grindlays: "When a summer trainee returns to campus, his batchmates and juniors crowd around to ask what he thinks about the company he worked with."

The campuses have an unwritten rating system of their own; a company's image is often determined by the way it treats its summer trainees. This is crucial, since it is the students who vote to decide which companies will conduct interviews on the first two days of the recruitment season. And it is these companies that stand the best chance of picking up the cream of the batch.

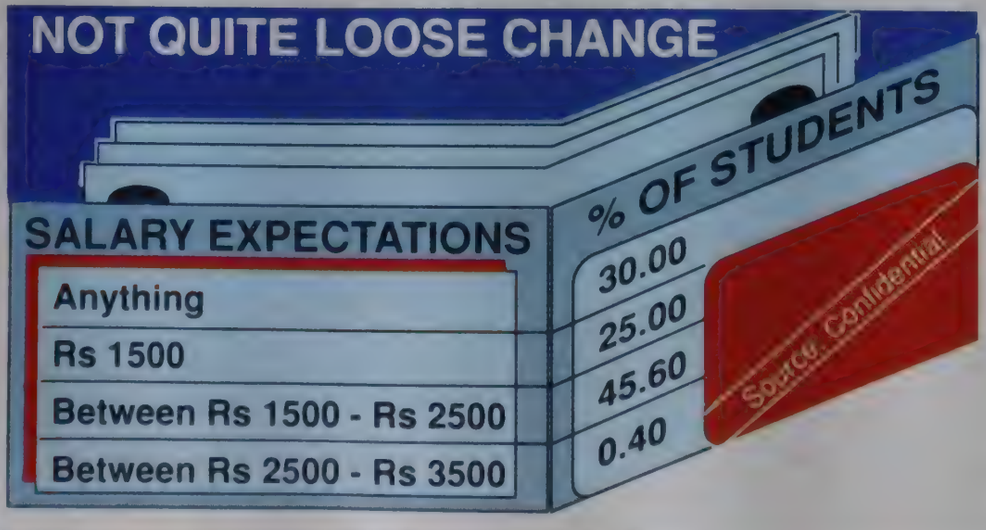
Companies that don't take in any trainees at all tend to be relegated to the fag end of the season. Take the case of RPG Enterprises. Until a couple of years ago, the Calcutta-based corporation didn't conduct any summer training programmes. Not surprisingly, it was unable to get so much as a toe-hold on the campuses during the first five or six days of the 1989 recruitment season. As a result, it had to make do with the few students that were passed over by most other blue-chip companies. Says RPG group vice-president (HRD) Samir Das: "We realised then that the company's image was not being effectively conveyed across the campuses."

To spread the word, the company took in a batch of 31 summer trainees last year. The results show for themselves: in the 1992 recruitment season, RPG's interviews were slated on the second day at JBIMS, third at IIM-Lucknow (where it received 70 applications from a graduating batch of 76) and fourth at IIM-Calcutta. Needless to say, the company will be paying very close attention to its summer trainees this year.

The increasing importance that many companies are attaching to their summer training programmes has had one other interesting fallout: their trainees' "market value" has shot up considerably. Although most management schools don't award grades on the basis of summer projects, students who've worked for companies that are reputed to conduct good training programmes inevitably attract the attention of recruiters.

That's a win-win situation for everyone concerned.

□ D.N. Mukerjea





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NCS/92

WORLD TRADE FAIR ... *WHERE WORLD MARKETS MEET*

SLIDING DOWNHILL?

Geoffrey Manners struggles to regain its bearings.

It's a company that once figured among the corporate stars. But today the Bombay-based Geoffrey Manners & Co, which has veteran brands like Forhan's, Anacin and Anne French in its stable, is in all kinds of trouble. Under attack from a scad of new, nimbler rivals, which have nibbled away at its marketshares, the company is struggling to regain its bearings. In almost every segment it operates in, Geoffrey Manners has seen its hold melt away. And there's nothing it has been able to do about it. (When contacted by *BusinessWorld*, company officials were reluctant to speak at length both about their past performance and future plans. However, they answered a few queries.)

Its leading brand — Forhan's toothpaste — once had around 8% of the market and was considered a worthy-enough rival by champ Colgate. Today, that slice has been chewed away to a guesstimated 3.7% and Forhan's is in danger of being squeezed out of the market totally. The analgesic Anacin too is giving Geoffrey Manners a-headache: from being the market leader, the brand today is trailing Saridon, which was once No 2. Its fabric whitener branded Maxim, launched sometime back, also hasn't washed well with consumers and has an insignificant presence in the market. The same is true of its anti-haemorrhoidal cream called Preparation H.

The litany of woes could go on. Extremely low-profile, the company (in which US outfit American Home Products has a 40% stake) has stayed away from the media; hence all kinds of rumours are doing the rounds about its health. Corporate watchers say that it's only its earlier reputation in the market that's keeping it going.

Poor marketing. What has gone wrong? Veteran toothpaste marketer N. Rajadhyax thinks it's a simple case of management lethargy. Says he: "Geoffrey Manners has a very orthodox management which was very slow to react and keep pace with the times. It was not perceptive enough to recognise the changing market trends and make the necessary changes." Adds Lakme director (marketing) R. Bakshi: "Over the years there have been no significant changes in the product form from the company — no innovations, no brand extensions." A rival, unwilling to be identified, throws in his bit: "There was no spark in the marketing efforts. Not only has it not adapted to the changes, it has just not reacted at all."

And nowhere is this more evident than in toothpaste. A score or so years ago Forhan's was a name that carried weight in the marketplace. Its USP: it was a toothpaste designed by a dentist and it protected gums. The brand's strength lay in its therapeutic properties and Forhan's position appealed to a large enough mass of consumers. At that time Colgate was lording it over the market with a 60% piece; Forhan's and Binaca each had 6-8% marketshares.

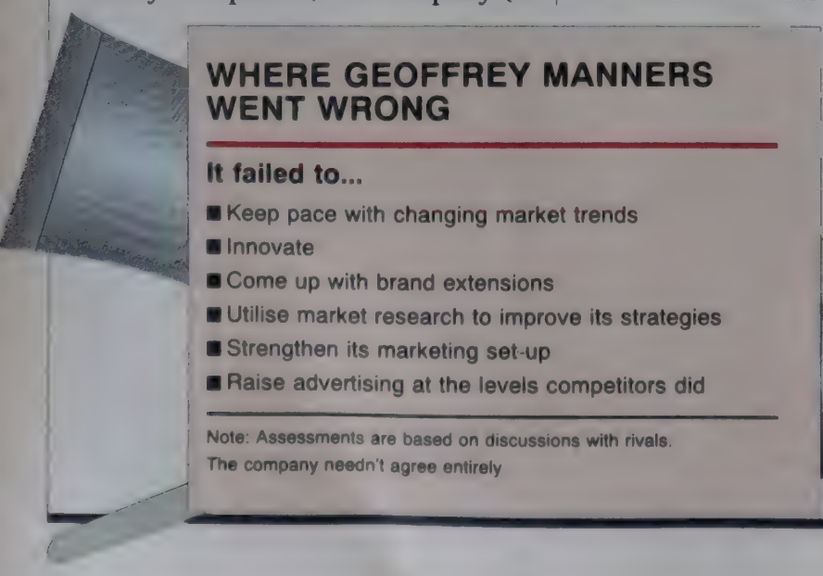
Came 1977 and Balsara Hygiene Products queered the pitch; its Promise toothpaste sprinted away to pocket a 10-12% share and the second spot in the pecking order, stealing some market from Colgate as well as Forhan's and Cibaca. Then came the gel toothpaste charge from Hindustan Lever's Close-Up. Close-Up went on the rampage, edging out Promise from the No 2 slot. Almost unseen, Forhan's and Cibaca also got a clobbering. And since then it's been a downhill ride for Forhan's.

With reason. While practically every toothpaste maker innovated and experimented with colours, flavours and even pricing, (Balsara, for example, launched the low-priced Babool), Geoffrey Manners did little. It stuck to its traditional line. The only innovation it came up with was Forhan's Flouride in 1979. But even this proved to be a wrong move in the long run: a decade later the fluoride controversy blew up and like the rest Forhan's too was forced to jettison the fluoride tag. It later relabelled it, a foamy toothpaste, but to no avail. Admits Geoffrey Manners marketing controller T.N. Swaminathan: "We have lost out in toothpaste... largely due to the changing market forces and lifestyles and perceptions."

Today, when the toothpaste market is growing at an annual 12% (all figures are guesstimates), Forhan's sales graph is estimated to be heading southwards — that to at a quite rapid negative 20%. This is all the more surprising considering that Colgate gel and Close-Up are growing at the rate of 200% and 50% respectively.

Rajadhyax gives his views on where Forhan's is erring. Says he: "Earlier, people used toothpaste in order to have healthy teeth — for its cleansing and medicinal effects. But today that is no longer so. People, specially the younger generation, want more of freshness. They want to try out new colours and new flavours. Geoffrey Manners too should have come out with new brands. At present Forhan's is by and large considered to be a toothpaste for old people." Concurs a competitor: "Today, if anyone has problems with his gums he'll go straight to the dentist. Their (Geoffrey Manners) total lack of innovation has cost them a lot."

The scenario is duplicated in the Rs 22 crore



WHERE GEOFFREY MANNERS WENT WRONG

It failed to...

- Keep pace with changing market trends
- Innovate
- Come up with brand extensions
- Utilise market research to improve its strategies
- Strengthen its marketing set-up
- Raise advertising at the levels competitors did

Note: Assessments are based on discussions with rivals. The company needn't agree entirely

over-the-counter (OTC) analgesic market which is growing annually at 11%. Till around three years back Anacin was the leader, followed by Saridon. Today the duo has swapped positions. While Saridon has a 27% marketshare and is growing at 11% annually, Anacin's slice has thinned down to 22%. Disprin comes third with a 17% marketshare. Johnnies-come lately like Paras Pharmaceuticals' Stopaque (50% growth per annum) and Panjon (from the makers of Swad; growth rate: 35%), and old pills such as Nicholas Laboratories' Aspro (which is seeing an erosion at the rate of 12%) and Calpol (a Burroughs Wellcome brand) together account for a 10% marketshare.

Swaminathan, however, disputes these figures and maintains that Geoffrey Manners is still *numero uno*. But sources reveal that the situation is exactly the reverse and that Anacin sank some 8% in the past year alone. Says a competitor: "At one time Anacin had almost two-thirds of the market. It was a very well nurtured brand and used to be held up as an example in management schools for its marketing techniques and brand image. It was a prime example of rural marketing and was a role leader. But the management failed to keep up with it.

In the 40,000 kilolitre per annum fabric whitener market, Geoffrey Manners' brand Maxim has done mimimum; it has a 0.6% marketshare. The segment is dominated by Reckitt & Colman's (R&C's) Robin Liquid and regionally-strong products (Ujjala, Captain, More Light, Regull, Rajhuns etc). Says a rival: "Geoffrey Manners' distribution is extremely weak."

Then its anti-haemorrhoidal cream Preparation H has emerged as a brand with a restricted market. For obvious reasons. Says Swaminathan: "People opt for ayurvedic medicines, homeopathy preparations or surgery also. It is also not a product that we can advertise heavily."

However, all is not doom and gloom for Geoffrey Manners. Anne French cream hair remover, a product the company introduced in the sixties, is basically the saving grace. The brand still controls a goodish 60% portion of the Rs 11 crore depilatory segment. (Lakme comes next with around 25% and the rest is shared by cold waxes and the products of other smaller local players.)

But even this fortress was under danger sometime back, courtesy the strong odour Anne French left after use. The company responded to this complaint by launching variants with fragrances. At present the hair remover is available in four varieties.

Says Bakshi: "Geoffrey Manners has been maintaining its marketshare in this segment over the years and there have been no major ups and downs. But here too it has not been very quick to respond to competition. While Lakme introduced its lotion seven years back, Geoffrey Manners did so only three years ago." This is reflected in the brands' respective growth rates too. While Anne French is notching up an average growth of 6% per annum, the corresponding number for Lakme is 8%. The market itself is growing at 4%.



THE GEOFFREY MANNERS PRODUCT RANGE: *Lacking innovation*

The company attempted to piggyback on a cleansing milk on the Anne French brand label. But apparently the beneficial ruboff hasn't been much. The product has managed to garner just 10% of the cleansing milk sweepstakes. Lakme, of course, is the leader with around 75% of the market, followed by Clearasil which has around 16-17%. Says Swaminathan: "Yes, we are very small actors in this field and we have always been so. In fact the market itself has been shrinking and people are turning more towards creams and moisturisers." Will Geoffrey Manners be also moving in that direction? Swaminathan is tight-lipped.

Says Bakshi: "Geoffrey Manners made a major blunder when it changed its packaging from glass to plastic bottles. It gave it a very down-market appearance. It should have taken more care to give it an attractive and appealing appearance."

Be that as it may, attractive appearances and product improvements alone won't translate into attractive sales unless the Rs 100-crore-turnover Geoffrey Manners ensures that it is pushed by livewire marketers. And that's one thing the company seems to be very short on. Says a competitor: "Geoffrey Manners was never a very active company but of late it has become even more sluggish. It seems to lack a strong marketing team. If I was in its shoes the first thing I would do is to get the right people. It might seem a very simple solution but it is true. They need to be more active in their market research and trade push."

Counters Swaminathan: "Yes, there has been no substantial increase in our ad budget and and so perhaps our brands have got lost in the ensuing din and clutter. But we do keep evaluating the market dynamics and do need-based advertising. But it has never been our philosophy to tomtom our products. We believe in letting our products speak for themselves."

But that's a tack that doesn't seem to be bringing home the bacon. So how is Swaminathan, who joined the company a few months ago, going to stem the rot? Says he: "Well, one conscious decision has been to build a strong marketing team and to strenghten our infrastucture. Then we are looking at the nuts and bolts and working out the strategy we should follow. If brand extension is the answer it certainly will be looked into. We will not opt for cosmetic additions like colours and flavours, however. We will operate only from our areas of strength and will concentrate more on the healthcare aspect. All necessary corrective action will be taken."

Hopefully it will be in the right direction.

□ Meenu Shekar

THE STORM BLOWS OVER

But Clarion will have to put its house in order fast.

History, they say, has this uncanny habit of repeating itself. And so it was at Calcutta-based Clarion Advertising Services. In mid-June, ousted CEO Ashish Mitra announced he was no longer going to slug it out with board chairman Sudipto Sarkar to retain his position in the agency as CEO. In the process, he joined a long list of Clarion chiefs who've been eased out of the agency, either by the union or the board or both together.

Coming so close to his determined declaration in March that there was no way he was going to quit, Mitra's abject surrender a couple of months later came as a real surprise. What happened in the interim that made him beat a retreat? Hear the man out in his own words. Says Mitra: "The agency had been leaderless for six months. There was uncertainty about the resolution of the entire issue which was leading to a lot of tensions within Clarion. I wanted to preserve whatever is left in the company. I could have continued and won hands down over time, but no way. It would have done good to my vanity but finally clients and the agency are important."



RAY: *No room for compromise*

Though bitter, Mitra is quite happy with his tenure at the agency. "It's a good thing the sordid chapter has ended. I had a wonderful time in my two years at the agency; it was back-breaking and knee-breaking work. But I'm happy I'm leaving behind an agency that is on the verge of turning around." What does he intend to do now? "I don't know. For now, I'm part of India's glorious unemployed."

In tandem with Mitra's decision, 22 employee-shareholders told the Calcutta high court that they were no longer interested in pressing for an extraordinary general body meeting (EGM) of shareholders to induct Mitra on to the Clarion board. And they pleaded that the suit be withdrawn. They earlier wrote to Clarion union president Mrigen 'Badal' Das Gupta asking why the court case was going on as Mitra was no longer interested in running the agency.

A formality. Says Dipak Roy who led the group of 22: "We had no other alternative. This was just a power clash. Since Mitra had fled from the battlefield it was better to have Ram Ray as our head." The 22 were followed by another 19 employee shareholders (apparently Badal Das Gupta was one of them) who toed the same line. This left just another four petitioners (one of them being Mitra) as parties to the suit. At the time of writing, a hearing for the case was scheduled to be held on 26 June. And the grapevine had it that it would be just a formality as the case was likely to be withdrawn, paving the way for injuncted CEO Ram Ray to move in.



SARKAR: *Winning out*

"It's a good thing the scrap has ended," says an agency chief, who was unwilling to be identified. "A lot of dirty linen has been washed in public. But it's better late than never."

Indeed it is better late than never. The agency has been reeling, courtesy the fracas at the top. For one, its image has been muddied, leading to a flight of professionals and clients. According to agency sources, even senior people are putting in their papers: Indranil Gupta, the agency's general manager in Calcutta and Tapan Pal, senior vice-president (media), Delhi, were two senior professionals who had reportedly resigned. Gupta and Pal were unavailable for comment.



MITRA: *Beating a retreat*

On the client side, a rumour that was doing the rounds was that ITC's Gold Flake account might be shifted from Clarion. Over the past year quite a few have been doing so: Philips, some Tata Oil Mills Co products, Dey's Medical, etc. Says Mitra: "I brought in a lot of people. I would be surprised if they stayed on."

Besides, Clarion's finances obviously aren't in tip-top shape despite the fact that a special officer, appointed by the Calcutta high court, had been managing the day-to-day affairs for nearly four months earlier.

So it's quite likely that Sarkar and Ray will have their hands full cleaning up the mess. Apart from that, there's the offer McCann-Erickson of the US has made to Clarion, countering the one that Mitra made to it.

Says Tara Sinha McCann-Erickson (in which McCann-Erickson has a 40% equity stake) chief Tara Sinha: "McCann is extremely interested in expanding its operations in India. And the arrangement will be in tandem with my agency. The best parallel I can think of is the arrangement that JWT has with Hindustan Thompson Associates and Contract. We are awaiting Clarion's response." Sinha, for the record, is one of the founder directors of Clarion, and figures on the list of CEOs who were sacked from the agency.

The offer, a pretty stiff one includes:

- A thorough audit of Clarion's performance.

CLARION'S INS AND OUTS

Year	IN	OUT
1979	Subroto Sen Gupta, as chief executive officer (CEO)	Prasanta Sanyal, as managing director, after a fratricidal court battle
1980	—	Dilip Sen, broke off to form ACIL (now defunct)
1984	Tara Sinha, recalled from the US and installed as CEO	Subroto Sen Gupta & Chris Passanah, who opted for the green pastures of Australia
1985	—	Tara Sinha suddenly sacked
1986	Chris Passanah, recalled from Australia and installed as CEO	—
1988	—	Chris Passanah sacked
1989	Amit Sen Gupta, recalled from Shaw Wallace and installed as CEO	Sudhir Lal, broke off to form Megacorp
1990	Ashish Mitra of O&M invited to join as CEO	Amit Sen Gupta sacked
1992	Ram Ray of Response invited to take over as CEO	Ashish Mitra sacked

■ McCann-Erickson, its associates and the Clarion board must own and control 76% of the agency's equity.
■ The Clarion board and its management must be reconstituted in consultation with McCann-Erickson.
■ Employee shareholders must control no more than 20% of the agency's equity.

At the time of writing, no one was clear as to what would happen. Would Ray continue as managing director or would he be eased out as part of the management restructuring that McCann-Erickson is seeking in future? For one, he has his own agency, Response Advertising to run. And that may not find favour with McCann-Erickson. Apart from that there are the inconsistent responses that were given by both Sarkar and Ray to the question on what Ray's role in Clarion would be. "I've joined Clarion's board as a wholetime director and I will be the company's managing director" was Ray's reply. "Nothing has been worked out. It's an open offer," was Sarkar's response to the same question.

Inconsistencies despite, Ray looks likely to take over as Clarion's managing director, if and when the case is withdrawn, even if it may be for a short while.

He, on his part, is quite confident of running the show — and that too well. Says he: "Even after devoting 40 hours per week to each I will still have 88 hours of spare time every week." What about the issue of conflict of interest? According to him, the two agencies belong to very different niches, and cater to different market segments.

As such he does not foresee a drastic change in the equation. "If need be, I will have separate chief executives running the two agencies," he states. Neither is he looking ahead at a merger with Clarion though he clarifies: "My mind is not closed to synergy or even merger. It is conceivable but only if and when the Clarion board and Response deem these appropriate and opportune and, most importantly, mutually beneficial."



DAS GUPTA: *Changing his stance?*

Ray says his first and foremost job (as and when he is allowed to take hands-on control) will be to infuse new 'standards of efficacy' and work out sensible goals like 'strategy' and 'tactics.' And he's drawn up a list of things he'd like to get cracking on. This is how it goes:
■ Restoring confidence in employees, clients and business associates.
■ Ensuring financial discipline; a need-based cash flow; and an alert information system.
■ Shifting the focus squarely back to where it should be — good advertising, the *raison d'etre* of every good agency.
■ Sharpening competitive edges; building new ones essential today.

That will take some time doing. For the nonce, however, one will have to wait and see whether Clarion's board can meet McCann-Erickson's condition relating to Clarion's equity structure. Sarkar is confident that he'll succeed. Says he: "We are absolutely certain to get 65% of shares from the employees." According to sources, Sarkar already has some 20% equity in his control, 14% directly, the rest through others.

Sarkar has an unlikely supporter in this bid to tie up with McCann-Erickson: Das Gupta, who was earlier supporting Mitra and in direct confrontation with Clarion's chairman. Says Das Gupta: "An international tieup/partnership is essential." But he has a rejoinder to add to that: "Why wasn't it done during Mitra's time when the proposal envisaged a 51% shareholding from McCann?"

Hopefully the linkup will come through, for it certainly could go a long way in bringing some stability to Clarion which has periodically been hit by upheavals in the past decade. And this time an all-out effort has to be made. For, as Ray puts it: "Hauling the agency back up would involve a radical shift in paradigms, not merely a new man running the show. That is *de rigueur*. There is no room for compromise."

□ Ashoke Laha & Anil Wanvari

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It is in the same tradition that Videocon will manufacture glass shells for TV picture tubes, from sand. Using American technology, to substitute imports.



CLEAVID/92/1

O C O N

BRING HOME THE LEADER

TELEMARKETING, NIRLEP STYLE

Handing out free samples is quite an obvious way to get people to try out your product. If it clicks you might well end up with a horde of regular buyers. If it doesn't, at least you don't stand to lose much, excepting, maybe, your marketing pride.

Recently, Nirlep Distributors took the sampling route in Bombay for Intact, a multipurpose, self-sealing cling film. With a difference though: samples were doled out over the phone. It was telemarketing in reverse: Nirlep didn't place the calls; it was customers who did. And, for their trouble, a roll of Intact was theirs.

"We wanted people to become aware of the product and ask for it with the purpose of wanting to try it out," says Nirlep Distributors director Ram Bhogle, explaining why the company took the phone tack. An ad was placed in a couple of Bombay newspapers coaxing readers to call in. Bhogle and his men stuck by the phone waiting for it to ring. And ring it did. Almost 1,000 sample rolls were given away within a week. "The response was tremendous, much beyond our expectations," says Bhogle, adding that Nirlep plans to repeat the offer in New Delhi and Bangalore. "We also plan to call them later for feedback."

Another gimmick Nirlep used recently was to paste stickers on almost 1 lakh lunch *dabbas* (which are delivered daily by carriers to offices) to increase awareness about Intact. "We are the first to have taken this route," says Bhogle and adds that Nirlep will go all out to market the cling film using more innovative methods.

Intact cling film comes in rolls of two sizes of 50 ft (cost: Rs 31.50) and 100 ft (price: Rs 49.50 and width: 12 inches). Manufactured by the Aurangabad-based Flexo Filmwrap, it was launched about four years back. But under a different brandname: Klin Wrap. Klin Wrap proved to be a clean flop (sources say that improper marketing was responsible). Scenting an opportunity, Nirlep entered the picture some six months back. It tied up with Flexo Film Wrap to give the product a push. As a first step it rebranded the film as Intact. Not a bad choice as it immediately brings to mind what the film's purpose is, that is preserve the food that is sealed with it. With nuclear families on the rise, prima facie, Intact has a future. But only if it can lure in further buyers and keep them intact.



COOL SHOW

With the sweltering summer showing signs of drawing to a close and showers expected any day, it's time to do a recap on how prickly heat powders are doing. Well Glaxo's Nycil, according to guesstimates, is still miles ahead of Johnson & Johnson (J&J) in the Rs 18 crore market with a hefty 63% marketshare. J&J, with a 22% slice, however, has got some consolation: its Shower to Shower range, which includes regular, sandal and Cologne Cool (launched in April this year), seems to be in good nick.

Initially, there were fears that the new variation would meet with a prickly response from customers. For one, because it was priced premium: Rs 16.50 for a 75 gm pack and Rs 28.50 for a 150 gm one. Second, because the powder market has not been going strong. But it has gone against the trend and, according to market sources, grabbed a 4% share of the market. A real cool show, wot?

MADAM & COMMODITIES

Branding commodities has never been an easy ballgame. Still, that hasn't stopped players from giving it a try. Sometime back Kanmoor Foods did so for its rice labelled Mehfil. Now, a Bombay-based small-time outfit, Shree Malad Dal Mills (SMDM), is playing the branding game for foodgrain, pulses and cereals. The name it has opted for: Madam. While some may snigger that the nametag is too downmarket, SMDM is quite sure it's onto a good thing. A veteran at processing dals, it has been doing the grind for around 32 years, selling its products in bulk (25 kg and 50 kg bags).

Targeting the lower middle class with incomes of Rs 1,500 onwards, SMDM partner Hasmukh Rambhia is confident that the product will catch on. "Ten years ago the idea that milk could be sold in pouches was not feasible. Now it is acceptable even in villages. Similarly, pre-packed *dals* that have been cleaned with the moisture maintained should reduce the work load in families where both the members are working," he says.

Introduced in Bombay in half-kg and 1 kg machine-packed plastic packs, the products are priced between Rs 12 and Rs 25 per kg. The biggest plus of the product is that each packet carries the sale price and expiry date. Rambhia feels that the smaller packs will "require less maintenance than bulk purchases and are ideal for a city like

GETTING A FACELIFT

With *Savvy* sailing along smoothly as the market leader and *Eve's Weekly* pirouetting back onto the stands as a monthly, it's the turn of The Times of India (ToI) group's women's mag *Femina* to go in for a facelift. And for a change the ToI group is admitting that it made quite a few boo-boos with *Femina*; hence the need for an overhaul. Says ToI director (response) Pradeep Guha: "*Femina* never had anything significant going for it before. The magazine had not changed along with its readers. It needed to be updated to fit our reader profile."

That, in effect, means the target audience stays the same — that is working women around 20-35 years, married or unmarried, with children not older than four-five years, who live in the metros or mini-metros and in nuclear families. Says Guha: "The housewife was never our primary target."

The strategy to give *Femina* a new look was basically two-pronged: better packaging and a change in the tone of the magazine's editorial. The former meant improved production values: better paper, more pages (100 in April when the revamp commenced to 116 in June 1992), pictures, the works. "We are now paying far greater attention to the cover, contents page, paper and the overall feel of the magazine." says Guha.



The second decision — to change the magazine's tone so that it became "attitudinally modern" — also wasn't difficult a-coming. "Earlier *Femina*'s tone was a little heavy on sermonising and moral advice, now the reader is respected as a person with a mind of her own and the emphasis is on giving practical tips or suggestions," says Guha. Apart from that there's a lot of colour, fashion, cooking etc — all that the modern woman would ask for. There's something for the male also, if one goes by the June issue, which carries pictures of a scantily-clad Miss India and Miss Universe second runner-up, Madhu Sapre.

Guha says the strategy is already paying off. He says that since April circulation has increased by 7-8,000 copies to 71-72,000 altogether. Advertisers have responded positively. "We are carrying ads *Women's Era* for instance, doesn't carry, and even our space sellers are more enthusiastic about the magazine and are putting in more of an effort. Our distribution network is still the large, ToI one; it was only our product that was not strong enough," says Guha.

Guha's target is to jack up circulation to 1 lakh by October-November. He is hoping to pinch some top-end *Women's Era* readers and some from *Savvy* to increase the mag's marketshare from it's current 25%. As for competition, Guha just brushes it off. "We do not consider *Women's Era*, *Savvy* or *Eve's* in the same bracket as us."

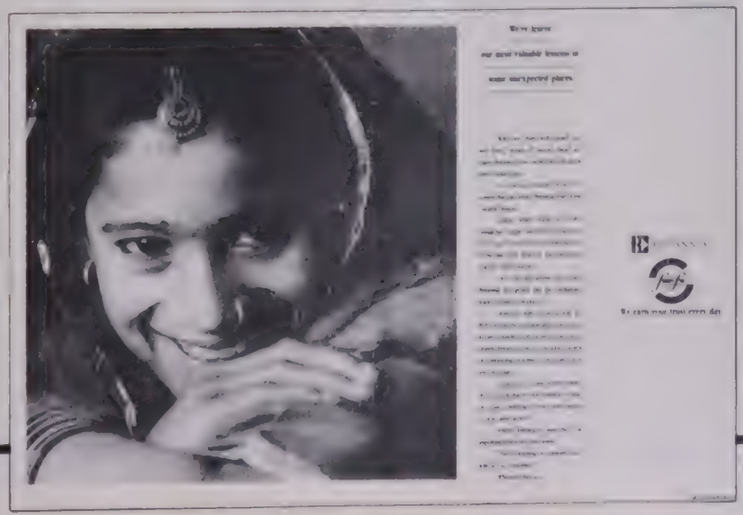
Nonetheless, he's leaving no stones unturned: an ad campign is running in ToI publications, and is slated to continue for 14 weeks. A dealer push is also in the offing in the shape of display contests etc. Will *Femina* put up a good display?

Bombay with its space constraints. Hence, they're extremely user-friendly."

Launched initially only in Bombay, the Madam range is expected to gradually expand all over Maharashtra.

PURE MAGIC?

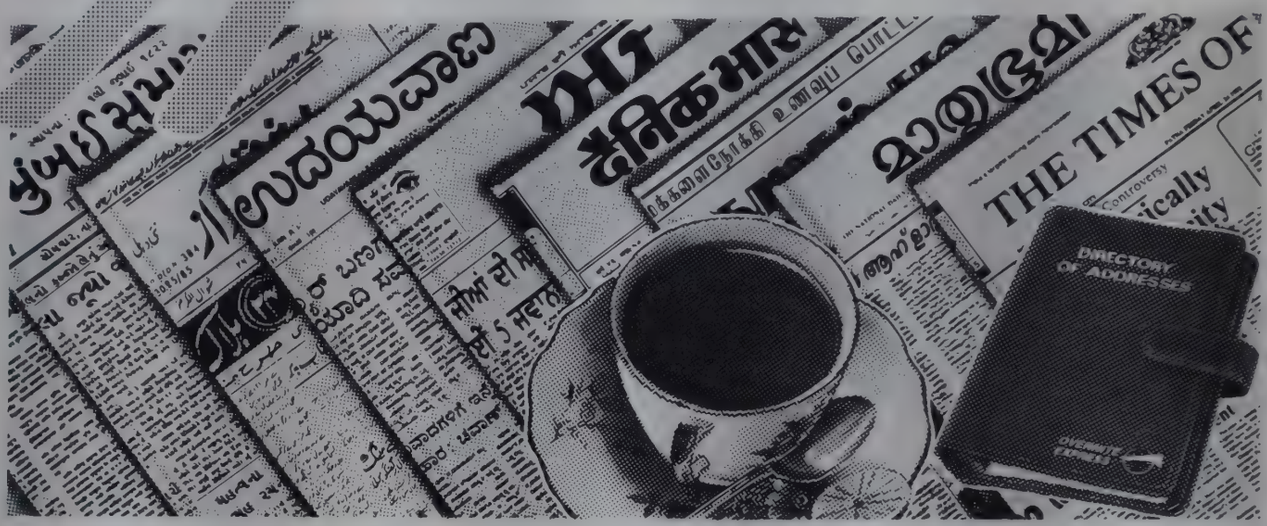
What do you do when you turn 75? Well, if you're a corporation like Britannia Industries Ltd (BIL) you could really have a ball, tomtomming the anniversary, without bothering about the bill. The Rajan Pillai outfit has organised several programmes such as lighting up the Sahid Minar in Calcutta, creating a Britannia foundation etc. In tandem, it has also flagged off a five-set press ad campaign in black and white, which has been devised by Enterprise, Bangalore, and is currently running in various publications.



Says BIL general manager Chitra Talwar: "It is an opportunity to reach out to consumers and to various constituents with

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THE EDGE/D92/OE/2051 BW

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whom the company is associated."

According to her, the campaign is going to continue through the entire platinum jubilee period (April 1992 to March 1993) in premium magazines. "A television commercial is expected to commence soon," says Talwar. That's really living it up at seventy-plus.

BEARISH OUTLOOK?

The booming stockmarket created a new slot for publications



in Bombay: the late evening newspaper, which carried the share prices traded during the day, apart from other news coverage. The pioneer here was the Mid-Day group which launched *NewsDay*, sometime before the market went through the roof. It was followed a while later by Kaiser-E-Hind's *Financial Bulletin (FB)*. Both were printed on pink paper a la *The Economic Times*. While *NewsDay* immediately notched up a claimed 20,000 circulation, *FB* didn't find the going hunky-dory; its circualtion was a measely 1,000. For one major reason: it was launched after the stockmarket started crashing.

But with the boom going bust and scaring investors away from the bourses, the two publications are hurting. Says a Mid-Day group spokesperson: "Circulation goes down whenever the stockmarket is closed." And these days that's happening pretty often thanks to the securities scam.

However, both publications are confident that the good times will roll again. Says *FB* editor Jehangir Patel: "Circulation will pick up once investors who were hurt by the stockmarket return." In fact he's quite bullish that *FB* will give *NewsDay* a run for its money once the market rebounds. "We carry quotations of 1,400 companies listed on the Bombay stock exchange, while *NewsDay* has 400," says Patel. "*FB's* circulation is lower because we hit the stands at around 6.30-7.00 pm in the evening, when a majority of the office-goers have gone home. *NewsDay* reaches newspaper vendors at 5.00 pm and gets these people."

A VIRGIN NICHE?

The neighbourhood directory concept is yet untried and untested in India, but Calcutta-based Shomir Choudhury is convinced it's time now to make a start. His Infobase Services is slated to launch a handy neighbourhood shoppers' guide in all the four metros plus four other mainline cities. "It is an established marketing principle that household consumer needs are most conveniently met from within the neighbourhood. By publishing bilingual lists, both markets-wise as well as in terms of major shopping streets, we shall pioneer India's first consumer buyer's guide," says Choudhury.

According to him, his directory will do just fine for several reasons. For one, it's user-friendly. To start with, the listings are delinked from phone connections (Choudhury intends to provide free copies to all phone subscribers anyway, since the latter form a large and high-spending consumer submarket). All outlets where a gamut of household needs may be met — ranging from both durables and non-durables, repair services, home delivery services and so on — will be listed, indexed and cross-indexed so conveniently that any householder, male or female, can locate the nearest addressee within a couple of minutes (unlike Yellow Pages where the indexing is alphabetical).

Major cities have a large transient population of those on transferable postings, and the guide will be indispensable for this lot. Those being listed will have to pay for the privilege, but the rates are relatively low — far lower than the Yellow Pages rates — and the pay-back for the advertiser is virtually assured.

In a shrewd tactical move, Choudhury has tied up a deal with ANZ Grindlays under which half of Infobase's revenue will go into a blocked account from which only printing and publication costs — and nothing else — can be met. A former United Database India (UDI) employee himself, Choudhury is all too well aware that directory publishers do have a credibility problem in this country. His Grindlays tieup is to impress upon customers the guarantee that lack of funds will not hold up publication.

Choudhury has also sorted out the knotty issue of deciding upon a brandname. He has opted for 'Dial Tone,' a widely recognised mnemonic which will also remind customers that most consumer conveniences are merely a phone call away.

Has Choudhury hit upon the marketer's ultimate dream: a virgin niche in the consumer marketplace?

Front wheel drive,

rear wheel drive, what difference does it make?

None, if you're a driver. Plenty, if you're a tyre.



So how did we design a better tyre for the Maruti? Not by just taking an Ambassador tyre and making it smaller.  *The Maruti is the only car in India with a front wheel drive.*  *Which means that your front tyres have to do the work of the rear tyres as well.*  *So when we made an Olympus tyre for the Maruti, we designed it to handle both steering and traction at the same time.*  *We've also designed tyres specially for the Premier and the Ambassador.*  *Because we see the Maruti, Premier and Ambassador as three different cars.*  *Not the same car in three different sizes.*

The car tyre designed by a car.

DUNLOP
OLYMPUS
NYLON CAR TYRE

Trikaya Grey CAL DIL 4.92

"WE HAVE A NICHE"

The Rs 10 crore Bombay-based Bullworker has had to work like a bull to sell its brand of muscle-building equipment in the marketplace. Among the pioneers of direct selling, it diversified first in the mid-eighties when it unpacked a range of health food products. Today, in its silver jubilee year, the Narang group company is seeking to change its strategy and is adding some pep to its marketing. Its health foods are to be given a renewed push. Besides, it is gearing up to muscle its way into the sportswear segment later this year. Bullworker general manager C. Raja Ram spoke to BusinessWorld*'s Meenu Shekar on the company's plans. Excerpts from the interview:*



■ On the Bullworker marketing strategy.

When we started 25 years back the concept of fitness was not very popular in India. Our main focus then was on the body-building capabilities of our equipment. Due to this, the perception that people had of our products was that they were *strictly* for building muscles. At that time there was no conscious effort on our part to correct this perception.

But we want to change this image of our company now. We want to project ourselves as a complete 'fitness' company. Our slogan now is 'Fitness for Life' and once we introduce some more products we will be changing our slogan to 'Shaping up the Nation.' Till now this aspect has really not been much highlighted even though all our equipment is essentially for keeping the body fit. Our marketing and ad budget reflects our intentions: at present it is 17% of our total turnover; by next year it will be 20%.

■ On the diversification into health foods.

It was not so much of a diversification as an expansion. We first introduced the Muscle Builder and Weight Gain and then followed it up with Slim Aid. All of them are powdered food supplements comprising essential nutrients. It is advisable to supplement exercises with these health foods. All of them are aimed at keeping the body healthy and fit.

■ On the move from being just a mail-order vendor to include dealers in its sale network.

We were perhaps the first company in India to introduce the mail-order system. But when our sales increased we found it difficult going and so appointed dealers also. At present we have both mail order, or direct marketing as it is called now, and our dealer network all over India. Some 30% of our sales are through direct marketing. While our fitness equipment is available at sports shops, our health foods are available with chemists. In future, our fitness equipment will not be limited to just sports shops but will be available in toy shops also. Our health foods will be available at all department stores, provision shops etc. We will also be laying a lot of emphasis on institutional selling — health clubs, schools and colleges. We are also working towards making our products, especially their packaging and covers, more attractive.

■ On the promotion strategy.

With each of our equipment we give an exercise chart or booklet and nutritional guidance. We also have a physical expert who answers any queries that our customers may have. Also, with every fitness equipment the customer gets free sachets of our health foods and discount coupons for them and vice-versa. All our equipment have a guarantee of five years at the end of which the customer has the option of either getting it serviced at a nominal cost or buying a new piece at a 20% discount. Further, we have a detailed mailing list and keep our customers informed about our various products.

■ On widening the product range.

At present, we have 11 fitness equipment (Bullworker 3, Bull Height and Tummy Trimmer being the most popular) and three health food items. By the end of this year, we plan to add three new fitness equipment and two more health foods. We will also be introducing a whole range of sportswear (not shoes though).

■ On competition.

We really have no competition as such. We have carved a niche for ourselves and have our own market. The health clubs do not affect us adversely. On the contrary the greater the awareness about health and fitness the better it is for us. Very often people do not have the time to visit gyms and clubs regularly. With the equipment that we offer they can exercise in the complete privacy of their homes and can even take them on their travels.

We do have some problems of imitation and duplication. But we have found that instead of spending our time on trying to control such unfair practices we can use our resources more constructively on improving quality, marketing and packaging. It is a growing market with a lot of potential. We hope to double our turnover in the next five years.

A NEW LEAF

Kangra tea is all set for a revival.

Can you revive a product that's been in slumber for what seems like aeons? Well the Indian government believes it can and it sure as hell is giving it a try. It has rolled out a plan to revive Kangra tea — which is grown in a valley that goes by that name in Himachal Pradesh — package and brand it and make a concerted effort to create a market for it, both domestically and worldwide.

To kick off the effort, a three-day festival was flagged off in Palampur (near Dharamsala) by president R. Venkatraman. What made the event important was the fact that the tea was released in attractive and snazzy packaging under four brandnames — Darbari, Bageshwari, Bahar and Malhar. The tack is obviously to go premium: a 250 gm pack of Bahar, for instance, with a miniature painting motif is priced at Rs 40. An ethnic looking logo too has been designed in a bid to build up Kangra tea as a brand a la Darjeeling tea.

Sudripto Roy, deputy commissioner of Kangra and chairman of the festival's steering committee, was pleased as punch at the conclusion of the festival. Says he: "This three-day festival has helped planters, government officials and research workers articulate their problems with regard to tea cultivation and marketing. The interaction with specialists will help us in improving the quality and quantity of the tea grown in the region."

In simple words, that means efforts are being made to spruce up the product. And this is being done on two fronts: one, increasing yields to make tea cultivation profitable enough and, two, encouraging farmers to increase cultivation in order to have enough volumes.

Money is being poured in: the Central government in association with the National Development Corp recently kicked off a Rs 25 crore project for the integrated development of the tea industry in the region. Under this scheme, finance will be provided to cooperatives to upgrade their technology, machinery and plantations. Sick units are likely to be revived and encouraged to get into plantations. The state government is also chipping in: it is looking into the possibility of growing Kangra tea in other areas. Besides, small growers are being offered assistance to allow them to compete with the big boys.

A question that arises at this stage is: why is everyone suddenly so gung-ho about pushing Kangra brew? Mainly because it has had a good track record in the past. A variety of tea grown in the region by the British between 1850 and 1880 was exported all over the world and it bagged gold and silver medals in London and Amsterdam. However, an earthquake in 1905 demolished everything in the Kangra region and the British abandoned the tea gardens leaving them at the mercy of ignorant local growers. The result: the tea gardens faded away, making way for cash crops.

The government will have to make the necessary noises to prove that Kangra tea can compare with the best



Nothing much happened for nearly half a century. In 1963, the Kangra Tea Planters Marketing Cooperative Society was formed. It took upon itself the onerous task of helping Kangra tea regain some of its past glory. "It took the help of buyers from Calcutta. The open market auction system was introduced and profits started pouring in for the first time after long," says the tea planters' cooperative chairman Bruj Behari Butail.

Help came from other quarters too. Scientists from the Council for Scientific & Industrial Research (CSIR) helped hoick yields from the valley to 1,200 tonnes in 1990 from 677 tonnes in 1985. Things have improved so much, says CSIR director A.K. Gupta, that recently "Kangra tea which used to fetch Rs 17 per kg at one time at auctions sold at Rs 200 per kg — the highest ever recorded."

While all this is fine, the government will have to ensure that it steps on the gas as far as marketing is concerned. It will have to make the necessary noises to prove to the Indian and global markets that Kangra tea can compare with the best. While the packaging exercise will go a long way in generating interest, moves to woo the private sector are necessary.

Goodricke managing director S.K. Bhasin has some words of advice: "A few years ago Darjeeling tea was in a similar situation. In our rejuvenation efforts we took a conscious decision to focus on high quality and hence, high margins, even if this meant low yields. Our decision has paid high dividends. In my opinion the Kangra effort should follow the Darjeeling route."

Clearly, Kangra has a long way to go before it matches up to Darjeeling's dimensions. And even as the government's efforts in the valley continue in earnest, it will be some time before Kangra can ready itself for a tea party.

□ Debjani Sinha

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THE ANSWERS

TO THESE QUESTIONS

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COMMENT

VALS & THE CONSUMER

By JAGDEEP KAPOOR



Indian marketers can use the values and lifestyles approach to segment markets effectively and communicate ad messages in a meaningful manner

In the eighties one of the most widely-used psychographic approaches in advertising was Vals, which is an acronym of Values and Lifestyles. Originally developed by SRI International (formerly known as Stanford Research Institute) in North Carolina, it gained high acceptance in the US of A. Its purpose was to create a general psychographic framework that could be used to understand consumers of a variety of products, ranging from toothpastes to TV sets. Vals sought to understand the attitude towards life of those within each category and contended that the categories relate to purchase behaviour. Under this approach, consumers were divided into three components — the need-driven, the outer-directed and inner-directed.

In India, the need-driven category is the largest. It is the most disadvantaged, struggling at the edge of poverty and willing to do anything to get ahead. The ratio is totally unlike in the US, where the two groups of this category — survivors and sustainers — constitute only 12% of the population. In India two-thirds of the population easily falls in this segment.

The US has seen a quick growth of inner-directed individuals; in India, however, this group still needs to grow and is small. Its members are idealistic, conservation-oriented, value artistic forms and make approaches to meet their unknown inner wants and pleasures rather than to respond to others' norms.

As per Vals, there are four subsets in this category. The first is the fiercely individualistic 'I-am-me's' — a flamboyant, young, zippy, exhibitionistic and impulsive group. Most fads originate with them. Charms cigarettes with their denim-mimicking packaging and the message 'Charms is the spirit of freedom;' 'Charms is the way you are' took advantage of this fact. The second set is composed of experientials, whose main concerns are with inner growth and naturalism. Thirdly, there is the integrated segment. Members of this group are highly developed psychologically and live in accord with what is fitting, self-fulfilling and balanced. They take the rough with the smooth as evidenced by the advertising for Tata Sierra which is targeted at them. The societally conscious make up the last subset. This group is acutely aware of social issues, stresses conservation, ecological soundness, and consumerism. Environmentally-friendly brands along with social marketing issues in India find favour amongst this segment. The up-market, selective Rotary Club is a prime example of what its members aspire for.

The third category is the outer-directed segment. Indian marketers would do well to focus on this section as it could easily be 244 million strong. It has three groups — belongers, emulators and achievers. Belongers — individuals who are traditional, nostalgic, sentimental and cautious — form the largest subsegment. Conforming conservatives, they believe in God, country and family with the prime drive being to belong and a strong allergy to change. Belongers buy to fit in, not stand out. These days they are getting caught by surprise and shaken as their sheltered environment, so carefully constructed over the years, is being dismantled bit by bit. More nuclear families are being formed and more women are going out to work. The family ad campaigns of Asian Paints and VIP luggage, through their home-coming themes, are attempts at soothing some of the mental wounds that the transition is causing.

The emulators are not so set in their ways. They imitate the buying patterns of their models, the achievers. If an achiever has a colour television set, an emulator will at least have a black-and-white set. The latter is an impressionable group in desperate search of an identity. In dealing with emulators, advertisers prey on their insecurities. In India, the tobacco business has capitalised on this segment's precarious sense of self-worth.

Achievers are driven by fame, status, comfort and are oriented to success. They are leaders in their fields and advertisers appeal to their materialistic values. Diners Club/Citibank credit cards have targeted their 'Rewards of Success' campaign to this audience. They may, in addition to purchasing brands used by belongers, also aspire for upgraded versions, pricey products and foreign labels. Advertisers should endeavour to tap the desires of this segment's members who like to be seen as modern aristocrats. The Gold Flake Kings campaign 'For the Gracious People' attempts to do just that.

In conclusion, the Vals approach, which worked well in the eighties in the US, is a tool that Indian marketers can use to effectively segment markets, and communicate advertising messages in a meaningful manner. And even more so in the rapidly-turning competitive markets of the nineties.

The author is general manager, Parle Agro



L&T Switchboards

Think of them as fully engineered solutions to your power distribution needs.

L&T switchboards are products of India's most sophisticated R&D, design and manufacturing facilities. The complete switchgear range manufactured in-house gives you the benefit of single sourcing and design compatibility. That is why each of them has a record of dependability – far beyond what ordinary assemblies of assorted components can offer.

So why settle for less? Specify the switchboards which can give you that special advantage of the fusion of modern technology with decades of experience.





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THE TOP TEN SURVIVE THEIR TOUGHEST TEST

Despite difficult market conditions, infotech industry leaders turn in respectable results.



HCL-HP's SHIV NADAR: *Still the caliph of the computer marketplace*



TCS's FAQIR C. KOHLI: *The sultan of software is drawing kudos*

TVSE's GOPAL SRINIVASAN: *The pasha of peripherals posted profits*



In the end, 1991-92 turned out significantly better than expected. Sure, the hardware segment took a deep dive, peripherals and maintenance remained flat, a couple of major players fell by the wayside and few small and medium-sized companies went down the tubes. That's a lot of bad news for one year, but none of it came as any surprise. After all, the computer industry's Cassandras had predicted that the bottom would fall out of the market.

Now look at the bright side of the accompanying tables: software exports went beyond all but the most ridiculously optimistic projections, ditto the domestic software scene, the foreign exchange outgo dropped sharply and the gross industry growth rate of 26% proved to the doomsayers that the bottom was, well, only a little loose.

More cheery news can be found in the list of the year's Top Ten companies. A cursory glance reveals a string of good performances — with the single exception of the state-owned CMC. Here's how the companies fared:

■ **HCL-Hewlett Packard:** Shiv Nadar remained caliph of the computer market, but Delhi-based HCL-HP's growth dipped below the industry average for the second year running (it grew 17.5% in 1990-91, as against the mean of 32%). The company was bogged down slightly by internal restructuring in the wake of its tieup with US giant Hewlett-Packard.

But things began to look up for HCL-HP towards the close of the year, with the success of its Meteor 486 low-end minicomputer. The company also scored big with the HP 9800 supermini. HP's sensational 'Snakes' workstation series was released a little too late to make an impact on revenues. With its new Rs 20 crore plant at Noida now running on full steam, HCL-HP director (marketing) Ajai Chowdhry says business has picked up considerably in the first quarter of the current fiscal year. "The ball is really rolling; we're pretty confident of improving our performance this year."

■ **Wipro Infotech:** The Bangalore-based company retained its No 2 slot on the charts, but president Ashok Soota's ambition of drawing closer to the leader suffered a slight setback as HCL-HP's revenues exceeded the grapevine estimates (around Rs 225-230 crore).

Nonetheless, Wipro Infotech had a good year. It's Sun connection gave the company a higher profile than usual, while its microcomputers continued to set high quality standards.

With the commissioning of two new manufacturing facilities, Wipro Infotech is ready to go toe-to-toe with HCL-HP this year. Soota says he's looking at 25% growth in 1992-93.

■ **Tata Consultancy Services:** TCS was, without question, the year's most spectacular achiever. The Bombay-based software giant posted an astonishing 65% growth, frog-leaping three places up the Top Ten charts. Even as industry leaders plied him with praise, TCS chief Faqir C. Kohli summed up his feelings in a characteristic understatement: "We did alright."

Kohli attributes the company's growth to its splurge on hardware platforms and training (Rs 30 crore and Rs 9 crore, respectively) and its "critical investment" of 100 man-years on the development of software tools. The success of E-X, its business accounting product, also contributed to making the company more visible in the domestic market. All the same, the biggest chunk of the revenues — around Rs 130 crore — came, as always, from exports.

Kohli's hoping TCS will be able to repeat its growth performance this year. "So long as we continue to invest

in technology, high growth is always possible," he says.

■ **PCL:** The Delhi-based company slowed down considerably (its growth in 1990-91 was in the region of 50%), but still managed to put up a good showing. Good enough for director Bikram Dasgupta to announce: "It's been our toughest, but best year." PCL seemed handicapped by its inability to strike a deal with an internationally recognised 'name'; it faced stiff competition from HCL-HP, Wipro, ICIM and Digital Equipment India.

Dasgupta says the company was able to sell more machines and achieve better realisation than in the previous year. With its focus shifting to the high-end desktop range, PCL hopes to stay well ahead of the industry average in 1992-93.

■ **ICIM:** The Bombay-based RPG company lived up to form and was able to climb two notches up the rankings. Its Krypton DRS 6000 was one of the year's bestselling mid-range machines. ICIM also made rapid strides as a software exporter, with foreign exchange revenues approaching the Rs 8-crore mark. ICIM International, its new San Jose-based subsidiary, has already secured a couple of large contracts.

Says ICIM president Ashok Jain: "Our internal restructuring and incentive programmes delivered the goods." His projection for 1992-93: 5% ahead of the industry average.

■ **CMC:** The Delhi-based public-sector outfit tumbled three places on the rankings as revenues plumetted. Although CMC started the year in some style, with the acquisition of Baton Rouge Inc, it couldn't hold on to its third place listing. Outgoing chairman and managing director Prem Prakash Gupta, who's currently embroiled over a spate of controversies arising out of a caustic CAG report, can take some heart from the fact that CMC has returned to the black after two years in the red.

■ **Digital Equipment India Ltd (Deil):** The highlight of the year for Deil was its phenomenal software exports performance: Rs 20 crore, twice as much as in the previous year. On the hardware front, the Bangalore-based company made waves with its Ultrix (Digital's equivalent of Unix) minicomputers, bagging big orders from Hindustan Lever, Godrej and ITC.

THE TOP TEN

COMPANY / RANK	TURNOVER RS CR. '91 - '92	TURNOVER RS CR. '90 - '91	GROWTH %	RANK '90 - '91
HCL- HP 1	246	218	12.8	1
WIPRO INFOTECH 2	195	164	18.9	2
TCS 3	165	100	65	6
PCL 4	135	105	28.6	5
ICIM 5	116	84	38.1	7
CMC 6	114	148	- 22.9	3
DEIL 7	84	61	37.7	8
STERLING 8	72	58	24.1	9
TVSE 9	54	48	12.5	12
MODI OLIVETTI 10	40	28	42.9	16

Note: ECIL and Tata Unisys were unable to provide their turnover figures. The two companies were ranked fourth and tenth respectively in 1990 - 91.

HARDWARE HAD A HARD TIME, BUT SOFTWARE SPARKLED

	TURNOVER RS CR. '90 - '91	TURNOVER RS CR. '91 - '92	GROWTH %
Hardware Domestic	840	960	14.29
Software Domestic	220	310	40.91
Hardware Exports	225	270	20.00
Software Exports	250	415	66.00
Peripherals	150	185	23.33
Training	85	110	29.41
Consumables	30	40	33.33
Maintenance	190	220	15.79
Imports	85	45	- 47.06
Project Consultancy	-	80	-
	2075	2635	26.90

Source Mait

It also emerged a major networking solutions vendor, helping corporations like Indal set up nationwide networks. Says Deil chief Mike Shah: "Given the state of the market, I couldn't have asked for better results." The company is expected to launch a string of new machines this year. Shah's growth target: 35%.

■ **Sterling Computers:** The price warrior is back with a bang. After a terrible 1990-91, when revenues dropped by 3%, the Madras-based microcomputer manufacturer took the industry by surprise last year, adding Rs 14 crore to its turnover. In the process, it also effectively negated rumours that chairman C. Sivasankaran was courting prospective buyers for Sterling.

Faced with shrinking margins on its PCs, the company concentrated on the marketing of high-end 386-, 486- and Eisa-based machines. It was able to post hardware exports to the tune of Rs 10 crore. Sterling also made waves in the peripherals market, with a printer from Fujitsu of Japan.

On the agenda for the current year are a number of networking products and peripherals like plotters and laser printers. As in the past, Sterling will continue to pursue its aggressive pricing strategy on all its products.

Says director R. Ram Raj: "Our objective is to provide good value for the least possible amount of money."

■ **TVS Electronics:** The peripherals market-leader didn't do particularly well in 1991-92. But that, according to managing director Gopal Srinivasan, is because the PC market registered a negative volume growth. However, TVSE was able to register its first surplus. Says Srinivasan: "It wasn't a remarkable year, but we were satisfied with our revenues." The company was able to register decent growth in non-printer sales; its communications products, uninterrupted power supply systems and storage products also did well.

In 1992-93, Srinivasan expects to launch a number of new products and tap export opportunities. "The new duty structures enable us to compete with Taiwan and Korea in the international market," he says. He's targeting an overall revenue growth of Rs 15 crore.

■ **Modi Olivetti:** The last two months of fiscal 1991-92 brought Modi Olivetti bumper sales. Says vice-president Sashi Ullal: "Initially, I thought we'd be lucky to get as far as Rs 35 crore; but some pretty large orders in February and March helped us reach the Rs 40-crore mark."

As a result, the B.K. Modi company was able to register its first ever profits. Apart from selling its high-quality desktops to major corporations at home, Modi Olivetti was able to achieve hardware exports worth around Rs 8 crore — primarily to Russia. Buoyed by the company's overall performance, Ullal is now aiming for the Rs 60-crore mark in 1992-93.

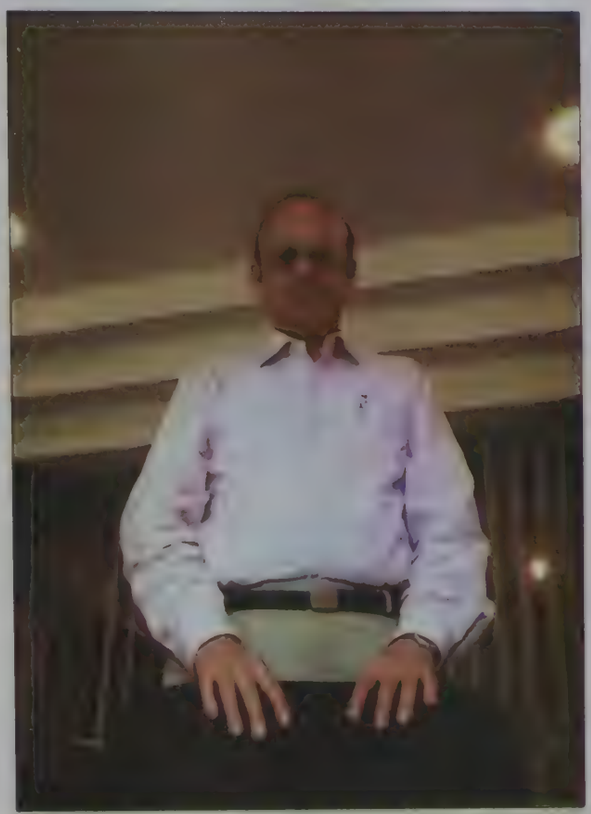
On the whole, the leading companies (again, with the exception of CMC) have come through the industry's worst-ever year relatively unhurt. HCL-HP's Nadar sees this as as sign of consolidation. "One of the positive fallouts of the stagnant marketplace is that it has separated the men from the boys," he says. Agrees Deil's Shah: "With the competition for marketshare increasing, it's becoming clear that companies that have achieved a critical mass of around Rs 50 crore have the best chance of survival." In other words, today's Top Ten companies are likely to dominate the infotech industry for some time to come.

□ Aparisim Ghosh

BACK ON THE GROWTH PATH

When you consider that it's been around for the better part of 15 years, Bombay-based Mafatlal Consultancy Services (MCS) must rank among the software industry's poorest performers. For four straight years leading up to 1991-92, its revenues stagnated at around the Rs 4-crore mark; and profits stayed in the region of Rs 7-10 lakh.

Then, last year, its turnover rose 37% and earnings increased four-fold. The Arvind Mafatlal company remains in the minor league, but it's back on the growth path with new vigour. And, for MCS president Nanda Joshi, that's reason enough to celebrate. "Our attitude has changed; we're pretty bullish about the future," he says. Bullish enough to predict a 100% jump in revenues, to Rs 11 crore and profits in excess of Rs 1 crore. Says Joshi: "If you think 1991-92 was a good year for us, wait till you see our results in 1992-93."



■ **JOSHI:** *Getting aggressive, at home and abroad*

That confidence is based on MCS' recent successes in its new business lines. Traditionally a data processing house, the company's foray into software solutions — at home and abroad — contributed to the bulk of its growth last year. Joshi believes that trend will continue; he expects exports to be around Rs 3.5 crore, as against a mere Rs 40 lakh in 1991-92. The company has specialised in the conversion of software from IBM's old 4300 range to its bestselling AS400 series. That looks like a very narrow niche, but, as Joshi points out: "Lots of American companies are switching from the old IBM machines to the AS400s."

MCS is looking for other niches, too, hoping to build on its strengths in Oracle systems and the Unix platforms. It also hopes to push a series of software products, like AutoBanker (for retail banking), MafTex (for textile production planning) and HotLink (for data transfer over phone lines). Says Joshi: "We've had some good products all along, but we didn't have the marketing orientation. This year, we're ready to push them aggressively."

The company intends to expand its data processing business through a joint venture with Key Power Inc of the US. With the cost of data processing soaring in the developed countries, the American company intends to 'outsource' some of its orders to a data centre that will be set up at Seepz, Bombay. The unit is expected to go on stream in the last quarter of calendar 1992. Key Power will take a 50% stake in the new company that will be set up to run the centre. Says Joshi: "In the long term, this unit could fetch us very large foreign exchange revenues."

MCS also intends to make an impression on the domestic market with its new products and services, besides increasing its data services business. For good measure, it has started running specialised training courses on advanced software tools and hardware platforms for Boston Management. Says Joshi: "We're looking for big growth in exports, naturally; but there's plenty of potential in the domestic market, too."

THE BIGGER, THE BETTER

Tamil Nadu has never featured very prominently on the infotech map of India; which is strange, because the state provides this country (and a few others, besides) with its best software professionals. For many years now, Madras has been a happy hunting ground for virtually every body-shopper in the business.

Ironically, it's taken a Calcutta-based businessman, Dinesh Dalmia of Star Iron Works, to set up the city's largest software unit. Square D Software, his new company, has a project outlay of Rs 40 crore. To run the 100% export-oriented unit, Dalmia has roped in the services of former Peico director (professional electronics) G.S. Krishnamoorthy. And he's acquiring a range of IBM's most popular machines — an ES9000 mainframe, two RS6000s and an AS400 supermini — to provide the company with state-of-the-art hardware platforms.

That makes Square D one of the country's most expensive and best equipped software start-ups ever. Says Krishnamoorthy: "In today's market, if a company isn't big enough, it's not good enough."

To start with, the company will concentrate on project software, focusing on manufacturing and banking applications. It will also look for niche markets in the CAD/CAM segment, with the help of Lalith Shah, a US-based infotech consultant. But it is unlikely to expand its hardware

range beyond the IBM brand. Says Krishnamoorthy: "Mixing technologies inevitably leads to a dilution of focus. Nearly 70% of the computers installed worldwide are IBM makes or clones — so we're not in any danger of running short of business."

An ex-IBMer himself, Krishnamoorthy hopes to work closely with his former employer. "We've asked IBM to help us implement its quality standards in Square D," he says. He's already working on measures to build the 'IBM culture' in his company, in order to attract and retain the best software talent. "Paying fat salaries isn't the only way to get good people; they have to *enjoy* working with us," he says. But, just in case, he also plans to offer employees with innovative compensation packages, complete with profit-sharing incentives.

Not surprisingly, Square D has already aroused considerable interest in software circles. Krishnamoorthy was pleasantly surprised by the response he received to an appointment ad he placed in the dailies recently. "There's supposed to be a shortage of systems analysts in the market... But we got more than 1,200 applications."



KRISHNAMOORTHY: *Cash counts, but so does culture*

Clearly, a lot of software professionals believe they can get a square deal at Square D.

NEW SCHOOL ON THE BLOCK

Here's yet another computer school that claims to be different from the rest. The Centre for Software Export and Training (C-Set), launched in New Delhi recently, has big plans. In barely two months, the centre has been able to open four schools in the capital; it plans to establish a nationwide network of 75 schools in four years. Says Vikram Talwar, director of Svam Software, which has promoted C-Set: "For now, our thrust will be on Delhi and its neighbourhood. But we are also exploring opportunities in Bombay and Bangalore."

While most training schools earn their bread and butter from PC-based courses, C-Set intends to focus on minicomputers and mainframes. Says Talwar: "We provide hands-on training on the IBM AS400 and plan to go in for the ES9000 mainframe soon." He couldn't have chosen better niches; the infotech industry faces an acute shortage of software professionals with skills and experience on those two platforms. Besides, Svam will be able to utilise the power of the AS400 and ES9000 to develop software for exports. And since those two machines are likely to remain international industry standards for years to come, Svam's investment is likely to pay rich dividends.The centre's courses are priced fairly competitively — ranging from Rs 2,000 for the short-duration course (up to two months) to Rs 25,000 for the 33-month course. C-Set now has around 100 students, 40 of whom have opted for the longer courses.

TALWAR: *Concentrating on training niches*



The company is sparing no effort, or expense, to attract more students. Its advertising budget for the year, Rs 40 lakh, is among the highest in the training industry. Its ads ("Are you ready to join Coke, General Electric, Kellog's, IBM, ABN-Amro or General Motors?") have already attracted a lot of attention among school- and college-goers.Talwar hopes to post revenues of around Rs 90 lakh from the training business in the first year of C-Set's operation. The software business is expected to yield a further Rs 1.35 crore. Svam, which boasts of offices in New York, Los Angeles, San Jose and Dubai, hopes to emerge a major player in the software exports market. Then again, who doesn't?

COMMENT

INFORMATING THE SHOPFLOOR

By GANESH NATARAJAN



An informated organisation uses information as a tool to plan and implement strategies and changes proactively to cater to existing and future needs of the market

Everybody talks about putting computers on the shopfloor; but very few companies in India have actually managed to integrate information technology into the production management function. Some of the reasons proffered for this phenomenon are:

- Production is a skill- and experience-based business and there is nothing wet-behind-the-ears computer whizkids can contribute.
- Changes in production are too frequent in Indian industry for a computerised system to work.
- Computer professionals don't understand anything about manufacturing and their systems won't work in India.

The reality, however, in most cases that I have been involved with, is more to do with the ego — superiority of the production function which does not see the need for adapting to new ideas and methods.

The bad news for traditional production bosses is that the times are changing. In the fast globalising environment, with customer orientation being the real name of the game, the luxury of long production runs, 'acceptable' levels of quality and the willingness of the customer to wait for an indefinite period for product delivery will not last very long. Hence organisations are moving towards the Japanese concept of small lot sizes, single-minute exchange of dies and just-in-time production philosophies to make their production processes more flexible. This is where information technology acquires critical relevance for tomorrow's organisations.

"Informating" is a term that was first coined by Shoshana Zuboff, professor at Harvard Business School, and expanded in her landmark book *In the Age of the Smart Machine*. An informated organisation uses information as a tool to plan and implement strategies and changes proactively to cater to existing and future needs of the market.

Picture the operations of a typical informated factory. The complete business network is integrated through computers including electronic data interchange (EDI) facilities with the suppliers and subcontractors thereby ensuring that production plan amendment implications can be communicated in real time not just within the factory but to all involved parties. The network also extends to the distributors who are informed electronically about despatches from the factory and their accounting debits and credits are handled instantaneously.

Looking within the factory itself, business is not run as usual anymore. The production supervisor comes in at the beginning of the shift and quickly checks out availability of resources on his terminal. Within the next 15 minutes, he is communicating on electronic mail with his colleagues after the computer has shown him ways and means of acquiring the short resources and redeploying excess resources. Production planners are also busy simulating various resource allocation and rescheduling options to ensure maximum capacity utilisation and throughput.

Such techniques and methodologies, increasingly transforming the manufacturing capabilities of leading organisations like Bajaj Auto in Pune and TIL in Calcutta, will soon become the order of the day in India. How have they done it? How can the rest of the manufacturing community succeed?

Any progressive management will realise that success in factory computerisation can be achieved only by a slow, step-by-step process.

- **Setting the stage:** Identify the critical success factors for your specific process and product and draw up a comprehensive strategy for applications, technology, people and roles and the implementation methodology.
- **Business Process Redesign:** Re-engineer obsolete or weak process to capitalise on the potential of information technology.
- **User involvement:** Build the culture and skills required throughout the organisation to receive the new technologies on the factory floor.
- **Custom build the solution:** Build and implement the manufacturing solution in phases, commencing with the control functions, moving on to planning and eventually integrating the entire business network.
- **Systems integration:** Over a period of time, try to integrate all your data capturing mechanisms.
- **Managing technological change:** Ensure that there is sustained senior management involvement at all times in ensuring that no compromises are made in implementing the right systems.

We will explore the specific issues pertaining to various industry types in subsequent issues. Success in factory computerisation is elusive but definitely achievable.

The author is chief executive of Apple Industries' infotech division.

USING PAINTBRUSH

Paintbrush is one of the most common drawing tools in use today. In the last issue, we looked at some of its general features and their uses. This time, let us experiment with the specific features of this program.

If you examine the toolbox on the left of the screen, you will notice that it is in three parts. The top part of the toolbox contains symbols for scissors, a spray gun, an icon for writing text, pencil, eraser and ink roller and a brush. The functions of these tools are quite obvious from the icons.

The middle part of the toolbox contains ten icons, all showing shapes. These include a curved line, a straight line, filled and empty rectangles, filled and empty rectangular areas with rounded corners, filled and empty circles and a tool for drawing filled and empty polygons. These shape icons will, of course, enable you to draw those shapes.

The last part of the toolbox shows a series of lines; each subsequent line is thicker than the previous one. This section determines the thickness of the line with which any of the other tools will operate. For instance, the brush tool can be made fine or thick using this section of the toolbox.

The colour palette at the bottom of the screen is divided into two parts. At the left are two rectangles, one inside the other. To the right are a set of coloured rectangles arranged in two parallel rows. If you click the left mouse button on any of the coloured rectangles, you will find colour appearing in an inner rectangle of the two nested triangles on the left. This is called the foreground colour. So, you could click on the red colour, thereby making it the foreground colour, then choose the line tool, choose a thickness and start drawing red lines of this thickness on the screen.

To try all this out, I chose red as the foreground, black as the background and from the File menu on the top bar selected New. I now had a uniform black screen. Next, I chose the filled rectangle with the rounded corners symbol and clicked on it. Now I moved the mouse into the drawing area. As soon as I had done so, I could see the outline of a rounded rectangle grow and shrink as I moved the mouse with its left button depressed. When I had rectangle of the right size, I let go of the mouse and a neat red rectangle with round corners remained on the screen. Feeling somewhat relieved, I chose the filled circle symbol, changed the foreground colour to yellow and drew a yellow circle in the centre of the red rectangle. Good. That looked like the flag of some country and I made a flagpole by choosing a thick line, the line drawing tool and the brown colour. It took about five minutes to do all this. There were no paint smudges — on the paper or on myself, and no colour had run off the borders as they used to do back in my school days!



Emboldened by this initial success, I selected the Text icon from the toolbox. I could now select a font (typeface) from the menu on top. I selected Times Roman. Next, I had to select a style. A menu item called Style is there right next to the Font option in the top bar. It lists several choices such as bold, italics, outline etc and I selected the Bold option. Finally, I needed a size for the text I was going to type, and I selected 56 points from the Size option in the top menu bar. Some of this is printer's jargon I have picked up from several years of working with presses and you don't really need to bother about them. Suffice it to say that I now had a typeface, with a style, and I knew how big the letters were going to be. Now all I had to do was to move the mouse cursor inside the main drawing area, click on the place from where I wanted the text and type the matter. I wrote "This is a flag" in large blue letters under the flag.

Once you have made a picture using Paintbrush, you can save it using the File option in the top bar. You will need to give each picture a name and it will be kept as a magnetic file on disk by that name. Windows adds a second name ".MSP" to every picture to make sure that you know which files are pictures and which are not. For instance, I have called my flag picture "Trial" and Windows has completed the name by calling it "Trial.MSP."

What I have described above are some of the basic steps you could take to create a picture using the Paintbrush program. However, some of the most powerful features of Paintbrush can be used only after you have drawn something. The scissors symbol in the toolbox menu is the key to these features.

Using the scissors, you can "mark" a portion of the picture you have drawn. To do this select the Scissors icon and move the mouse cursor to the drawing area. You can now mark a section of your drawing by drawing a rectangle around it using the mouse. Using Edit from the top bar, you can cut, copy or paste this portion — that is, you can remove it, store the cut piece and paste it elsewhere. Using the Pick function, you can rotate, shrink or expand it, or tilt it to make special effects.

Finally, there are the View and Options items in the top menu bar. These functions allow you to view your work in different ways, change the shape of the brush or tool you are using and various other things.

There is no better way to appreciate Paintbrush than to experience it. You could spend months with it and still find things to do that you would not have thought of before. Paintbrush is one among many highly sophisticated painting and enhancing tools available on the PC today. But it continues to be the most popular, at least with corporate users.

□ Sugata Mitra

The author is principal scientist of NIIT's computer applications research division.

BRIEFS

Breaking past practices, **IBM** has set up independent, wholly-owned subsidiaries in the UK and Canada to sell low-cost PCs that will compete directly with cheap clones. The new British company, Individual Computer Products International, will market a range of PCs under the Ambra brandname to target the low end of the European market. The Canadian subsidiary, Expercomp Services, will also offer the Ambra PC products. In the UK, the first Ambra products have already gone on sale. In Canada, the product will make its debut in August. Following the move, IBM expects to give its business units greater freedom to use innovative approaches to increase sales.

This digital desktop machine can work a triple shift as colour copier, printer and scanner at about one-quarter the price of most



CANON JET COPIER: *Triple shift*

free-standing units that perform the same functions. Designed for use by small departments — say, a company's marketing division — the **Canon** CJ10 colour bubble jet copier produces high-resolution, full-colour copies in 93 seconds. Add an intelligent processing unit (IPU) to the copier, and the CJ10 is ready to print or scan documents using a Macintosh or IBM-compatible PC with Windows. The CJ10 mixes four colours of ink to create 256 shades of each colour, producing quality comparable to that of free-standing machines.

Digital Equipment Corp (**DEC**) says 3,700 employees in the US, including seven vice-presidents, will leave the company under an early retirement programme that began in March. DEC has been trying to cut its payroll for two years in the face of losses and declining sales. It had about 1,19,500 employees when the retirement scheme was announced in early March, against a peak of 1,26,000 at the end of 1989. The response to the early retirement scheme has been sharper than expected. DEC offered retirement incentives to 7,200 US employees over the age of 50, expecting about one-third to accept. Further job cuts are expected.

Telecommunications utility **Bell Canada** has ordered $910 million (Rs 2,639 crore) of digital switching equipment from **Northern Telecom** to accelerate modernisation of the eastern Canadian local network. The programme will be spread over two years. The new equipment will allow Bell Canada to introduce new services and boost revenues. The equipment includes Northern's DMS computerised switches, which are marketed worldwide.

Smith Corona, the US manufacturers of typewriters and word processors, is pulling out of the fiercely competitive PC market little more than a year after it entered the sector with a joint venture with **Acer**, the large Taiwanese company. Manufacturing will eventually be transferred to Acer's plants. Smith Corona chairman Lee Thompson says the company has been breaking even on the venture but intense price competition in the PC market means that there is little profit opportunity.

Travel advisory! Drop those bulky guides and boot up your IBM-compatible. **PC Travel**, by Travel-Data of Santa Barbara, California, offers information on thousands of hotels, restaurants, rental car agencies, sightseeing and entertainment attractions, and weather patterns in 13 major American cities and their suburbs as well as in London, Paris and the Hawaiian islands. Hotels and restaurants are ranked (one to four stars) by a consensus.

LAUNCHES

■ Larsen & Toubro (**L&T**) has developed a microprocessor-based digital recorder. Called DR160, it can be used as a process recorder, a datalogger, a sequential event recorder or a high speed recorder.

DR160 can monitor and print the status of 16 analog channels and eight digital channels directly, or on a dot matrix printer via centronics parallel port. The data can also be sent on an IBM-compatible personal computer for display and storage. The data can be printed either in graphic or display form.

L&T has also launched K65P, a low-cost, high-performance logic analyser for use in education, service, testing and development. The product is completely menu-driven and features a built-in tutorial which guides first-time users through the basics of logic analysis and operation.

Contact: Larsen & Toubro, L&T House, Ballard Estate, Bombay 400 038. Tel: 2618181. Fax: (9122)2620223.

■ Bangalore-based **A.R.B. Constellation's** version 2.00 of its data communications software package, CyberNet, is ready for shipping. CyberNet can accommodate upto 250 users simultaneously and one can access it via both modems and local area networks (Lans). Standard CyberNet features include electronic mail, conferences, file libraries and database queries.

Contact: A.R.B. Constellation, 167/1 West Park Road, 14th Cross, Malleswaram, Bangalore 560 003. Tel: 341137.

■ **Sonata**, the software division of Indian Organic Chemicals, has launched in India a range of high-resolution postscript plain paper typesetters from LaserMaster Corp of the US. The latest model, Unity 1000, is ideally suited for jobbers and newspaper publishers looking for a cost-effective plain paper output device without having to compromise on typesetting quality.

WHAT PRICE NEW ISSUES?

Sebi's new guidelines on pricing new shares are the answer to the stockmarket's problems, but new issue prices will inevitably climb.

Merchant banking in India, it is often said, is a misnomer. Pick up any prospectus for a public issue, whatever be its size, and count the number of merchant bankers who crowd into the section labelled "managers to the issue." Now take a look at the number of brokers under the list labelled "brokers to the issue." Even for small Rs 2 crore to Rs 3 crore issues, the numbers are almost always in double-digits. What do they all do?

The answer to that, quite simply, is that most of the 10 to 20-odd managers to the issue merely lend their names and mutually exchange with the promoters a kind of image rub-off. The handful of lead managers grace multi-city press and brokers' conferences which range from glitzy five-star affairs, complete with video presentations and Scotch on tap, to the simpler quickie question-and-answer gigs in not-so-upmarket surroundings. And the brokers? Well, they stock piles of application forms in cubby-holes which pass off as offices for all and sundry to pick up. And on occasion, they play the illegal kerb market for new issues to rig prices up.

Actually, what else could they do, when the price of the issue was given, the size predetermined and merchant banking an euphemism for a one-off quick job to earn some fees and (or) commission?

But with the final dismantling of the office of the controller of capital issues (CCI) last month, all that is set to change. Last fortnight, the Securities & Exchange Board of India (Sebi) announced guidelines for capital issues which seek to radically change what has been happening in the capital market for years. The landmark Sebi guidelines have for the first time opened up the capital market to free pricing of issues. Existing companies are now allowed to decide what price they want to fix for their fresh offerings in the market.

Already, the new guidelines are being billed as the solution to all the Indian capital markets' problems. Gushes Kotak Mahindra Finance vice-president (merchant banking) Anand Desai: "This is the best thing that has happened to the capital market." Adds Delhi headquartered PNB Capital Services executive vice-president V.K. Aggarwal: "It's a great help because a hurdle has been removed. Companies will not have to go to two agencies (meaning the pricing authority, the CCI, and the watchdog, Sebi). Under the CCI, delays in fixing prices meant delays in funds for the promoters. That was a very costly proposition."

No longer will companies have to queue up at the CCI's office with their applications for issues. Pricing of issues will now be done by the companies themselves (in consultation with their lead managers), while Sebi will vet the promises they make in their prospectuses to investors.

Major ramifications. There's far more involved, of course. The ramifications of Sebi's new guidelines are major

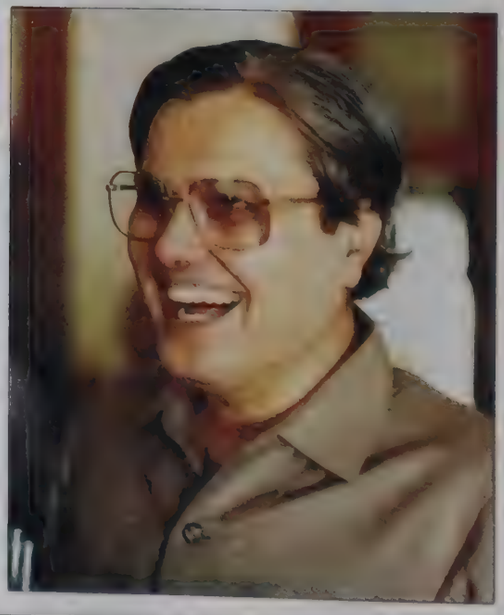
KOTAK MAHINDRA FINANCE VICE-PRESIDENT ANAND DESAI SAYS: "THIS IS THE BEST THING THAT HAS HAPPENED TO THE CAPITAL MARKET."



MERCHANT BANKS WILL HAVE TO PROFESSIONALISE. DSP FINANCIAL CONSULTANTS VICE-CHAIRMAN SHITIN DESAI SAYS: "WE WOULD BE LOOKING AT MORE MBAs AND CAs."



J.M. FINANCIAL SERVICES CHAIRMAN NIMESH KAMPANI FEARS PRICE MANIPULATION: "ANY MANAGEMENT CAN CREATE EXCESS DEMAND FOR ITS COMPANY'S SHARES."



ones. For, while Sebi has listed the basic norms for issuers of capital (see chart), these will translate into major changes throughout the market, changes which will affect everyone: promoters, intermediaries and the investor.

Take merchant bankers and brokers — the crucial intermediaries in the primary capital market. For years, ever since the Indian capital market came into its own in the early eighties, merchant bankers and brokers have played a somewhat fuzzy role in marketing public issues — fuzzy, because it was never defined. The lead managers among the merchant bankers did work out terms of issues with promoters and helped in identifying target groups; then there were the few brokers who had the infrastructure to proactively market issues instead of just stocking forms for potential investors. For the rest, accountability and responsibility were almost non-existent.

"Now our heads could be on the chopping block," says a candid Desai (quoted earlier). As promoters are now free to price their issues, the merchant banker has a crucial role to play in fixing these prices. If the premium is too high and the issue bombs, the merchant banker gets it in the neck for overpricing. And if the premium is too low and the issue gets oversubscribed a ridiculously high number of times, again he gets it in the neck — this time it's for underpricing.

Quite clearly, merchant bankers have to pull themselves up by the bootstraps. And already they're talking about how the new pricing regime could be worked. In a sense, it's the past versus the future. In the CCI regime, it was the past which was the operative word, for the CCI's office used a historic value of an existing company's share as the basis for fixing the premium.

Here's how the CCI calculated the price for issues: it would follow an arithmetic approach based on the earning per share (EPS), book value and the average market price over two to three years.

Despite the very high price-earning (P/E) ratios in the Indian stockmarkets, the fact that market price was just one out of the three parameters used in the CCI formula meant that the final price was almost always much lower than the market price of the share. "More often than not, the CCI fixed a premium which made an issue price as low as a fourth of the market price," says a Delhi-based foreign merchant banker. Thus even a profit-making company with good performance and potential could not reap the benefits of a high premium.

For the investor, such a formula often proffered a bonanza. "Imagine picking up a share at one-fourth the market price. Straightaway you made a whopping 300%," says the Delhi-based merchant banker.

And because of the unrealistic CCI premium, the unofficial market for new shares thrived; kerb premium rates would be several times the official rates. Brokers, aided by promoters, would rig these markets to make their issues look more attractive.

In sharp contrast to the CCI norms for price fixation, leading merchant bankers are today talking about a futuristic formula as opposed to the CCI's historic basis. Says Anand Desai: "Of course, the historic values would still play a role, but we have to build into our calculations the future prospects of the company."

Apart from prospects, merchant bankers would also have to assess whether the market can absorb the premium an issue charges. Says JM Financial Services chairman Nimesh Kampani: "Our marketing boys will have to get a feel of the market mood before we decide on pricing."

Every merchant banker may evolve his own set of norms for pricing an issue. Says Vijay Sharma, chief manager, India, merchant banking division, of ANZ Grindlays Bank: "We at Grindlays will take into account the current year's EPS of the company, the past two-three years' performance and would do a factoring of all these calculations on the basis of future projec-

THE NEW SHARE PRICING RULES

1. New issues can be priced freely by existing companies that have a good track record for at least five years and have at least a 50% stake in the new company.





2. SEBI will vet the prospectuses of all such companies.

3. Privately and closely held companies that have been profitable for at least three years can price their new issues freely.





4. All issues have compulsorily to be underwritten.

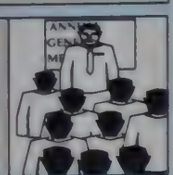
5. Promoters' contribution has been raised up from 20% to 25% for issues above Rs 100 crore. Also, new restrictions on who the money can be raised from (relatives only) have been imposed.





6. Credit rating has been made mandatory for partially convertible debentures and non-convertible debentures with lives exceeding 18 months.

7. Debentures issued in the past whose conversion price was to be determined by the CCI will now be determined by shareholders and debentureholders.





8. After an issue is priced by the company and its lead manager, they have to justify the price to SEBI.

"WE ARE NOT GOING TO TINKER WITH THE PRICE"

Securities & Exchange Board of India (Sebi) chairman G.V. Ramakrishna faces the onerous task of administering the market's new regime. But, the veteran bureaucrat and former ambassador to Belgium told BusinessWorld's *Jiten Mehta, much of the onus of implementing it will be left to merchant bankers, not Sebi. Excerpts from an interview:*

■ **Are you happy with the guidelines?**

They are the best we could do under the circumstances. If there are any operational problems, the guidelines themselves say that we can issue directives.

■ **Are further clarifications expected?**

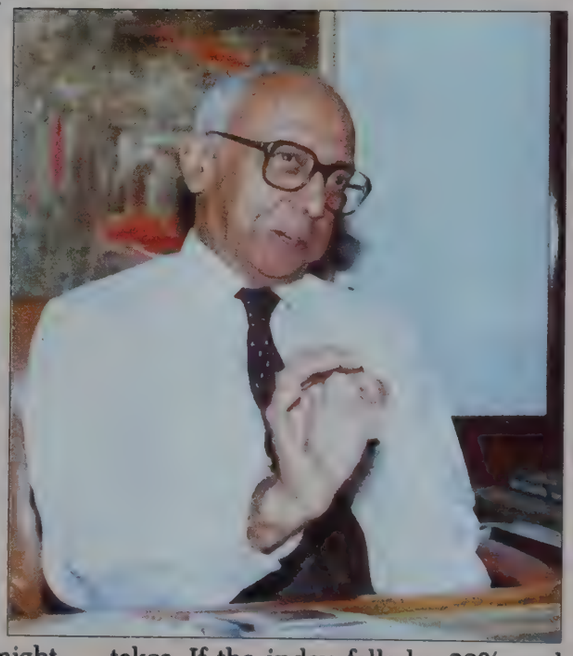
We have issued some already. Merchant bankers wanted some clarifications which we have issued.

■ **Some things seem to have been left out of the guidelines. The safety net, for instance. This was something that Sebi had been pressing for quite some time. Is this a minus point?**

To a certain extent, the investor has to take care of himself, maybe have some experience of all this. Then the government might consider a safety net.

■ **Will the government reconsider it? Have you had discussions with the finance ministry on this?**

Yes, we had. We will still look at the matter later. The merchant bankers are also opposed to a safety net. So that's the first clarification they should ask: why isn't there a safety net? They can answer this. But a lot of others supported the safety net, including the PHD Chamber of Commerce, a lot of investors and individuals. The PHD Chamber sent a letter saying that the safety net should not be for six months but for one year. You see, an exaggerated version of the safety net was put out. We have clarified that the safety net will operate only if the price of the particular scrip falls below the fall of the index. If there is a general market depression and the index falls, there is no liability on the issuer. If the price of the index does not fall by a bigger percentage than the fall of the index itself, it's a general market risk that the investor takes. If the index falls by 20% and the scrip falls by 50%, then we say that you should take some part of the risk. The intention of the safety net was not that the entire risk would be taken by the merchant banker; only a part of it would be borne.



■ **Are the guidelines strict rules which all merchant bankers will have to comply with, or are they broad suggestions?**

We are calling a meeting of merchant bankers next week to explain to their compliance officers all the guidelines and to ask them to ensure that prospectuses are prepared in line with the guidelines and to certify this.

■ **These guidelines also mean greater work for Sebi. Does Sebi have the kind of expertise and manpower to vet every issue?**

You should ask merchant bankers first. They are going to certify issues. I have issued the guidelines. We are not preparing the prospectuses. The merchant bankers have to certify them in accordance with the guidelines. They should study the guidelines, understand them and certify that the prospectuses are in accordance with the guidelines, and then we will verify them.

■ **Will Sebi overrule the price decision of a merchant banker if it is not satisfied with the price fixed?**

No. We have already said, give your NAV (net asset value) and give your justification, so that the investor knows. That's all. In free pricing we are not going to tinker with the price. But they have to tell the investor why they have fixed that price, what the justification is, in their own words. They can say, I got it in my dreams, therefore that's the price. But the investor will judge. He should be given an opportunity to judge the basis of the price.

■ **When you say justify to Sebi...**

Not to Sebi, but to the investor. Put it in the prospectus. There's no justification to Sebi.

■ **But you will be vetting the prospectus.**

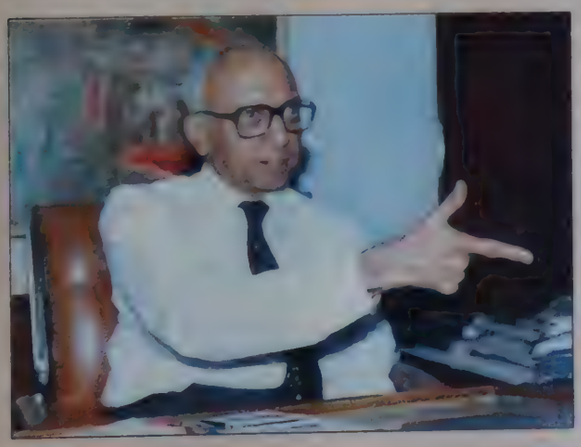
To make sure that they have added at least one line to give their justification. They may even say, we have no justification. That also will go to the investor. The prospectus will contain the justification — that's all we have said. Most of the observations are being made by people who have not studied the guidelines properly.

■ **You have asked merchant bankers to assess the financial strength of brokers who are doing sub-underwriting. But Sebi itself has not been able to get information from brokers on this. So how do you expect merchant bankers to do so?**

Merchant bankers select the sub-underwriters. So, when selecting sub-underwriters, they have to make sure that they have the means to pick up the responsibilities. Underwriting carries a direct financial responsibility. So they let them verify their financial soundness. As it is, they are doing it. They've been doing this for all these years. Every issue has 20 brokers who are underwriters. There is nothing new in this.

■ **What is the difference between what existed in the past and now?**

Two things are different. One, there's no prior consent for the issue. So if you want to issue Rs 100 crore or Rs 150 crore, you can issue this. Secondly, you don't have to say that my project has been appraised. Thirdly, when you raise the money, you can raise all of it at one go or raise it in two instalments. Fourthly, there is no requirement that the use of these resources has to be continuously monitored, except for issues of Rs 250 crore and above, that is, very large projects which will probably be 1-2% of the issues. In most of the issues, there will no appraisal, no monitoring and the issue of the amount has to be justified in the prospectus and the price to be determined by them. That is the freedom that they have got. That is why a lot now depends on the investor. But while going to investors, at least you should give some information to investors about your project, about your promoter. There is nothing preventing them from getting the appraisal, though it's not a requirement.



■ **What points should a merchant banker consider while deciding issue prices in the following cases: in case of a new company that doesn't have any track record; in case of a new company from an existing group of companies that has a sound track record; and in the case of a closely-held company that has a consistent track record?**

Everything is clear in the guidelines. For example, a new company promoted by an established group: Mangalore Refinery is a new company, promoted by four Birla companies and Hindustan Petroleum.

■ **In this case, is it allowed to issue shares at a premium?**

Yes, I've said so. Please read the guidelines. Therefore, we said, provided these companies put in 50% of the equity, which they have done. Between the four Birla companies and Hindustan Petroleum, it is 50%-plus. Even for a new project, if it is an established company that has a track record, it can form a new company. It cannot be equated with a new entrepreneur starting a greenfield project for the first time. Only when a new man starts a new project for the first time do shares have to be issued at par.

■ **Were there any areas Sebi wanted covered which have not been dealt with?**

No, we have covered most of the areas. We wished to have some more monitoring of the use of funds, which is not there, except for very large projects. But nothing prevents the promoter from arranging for monitoring or appraisal and mentioning this to the investor. So the investor hereafter will judge issues.

■ **Generally people feel that Sebi wants to dictate matters rather than monitor. Please comment.**

I am telling you about the



freedom available to promoters. What more freedom do you want? You can go without the appraisal, go without monitoring, raise all the money you want and price it as you want if you're an established company.

What we have tightened up is private placement and the wide definition of promoters' contribution. Let the promoter have a stake in the project before he asks the investor to put his money in it. We have seen a number of cases where promoters have very little stakes in projects.

■ **You have opened up portfolio management. Before, this was open only to class I and class II merchant bankers. Why have you done this?**

Now we're going to have an entirely different category of portfolio managers, who need not be merchant bankers at all. They can do only portfolio management services. Such people will also apply.

■ **What are the parameters for choosing them?**

When the regulations come, you will know. We have drafted the conditions and regulations. When they handle clients' money and act as portfolio managers, they are an entirely different category of intermediates for whom we are having separate rules and regulations.

■ **When will these rules be announced?**

They are now with the government. We expect to get them at the end of July.

tions. This the CCI did not allow companies to do."

Here's the kind of issues merchant bankers will have to consider:

- If the company is diversifying into a new area, merchant bankers will have to assess the supply-demand situation in that industry and the average P/E ratios for companies across that industry.
- The existing floating stock of the company and how it is going to change after the fresh issue of capital.
- Whether the shareholding pattern is expected to change or whether the management is expected to renounce its rights to the new issue.

Says Desai: "We have to look into these aspects, because though Sebi has prescribed that the price should be calculated on the basis of the last two years' highs and lows on the stockmarket, this offers loopholes to promoters."

What Desai and other merchant bankers fear is manipulation. "The managements of companies can easily use a 'friendly' network of brokers to rig their company share prices over two years before making a large issue," says a Delhi merchant banker. Echoes Kampani: "You have to remember that the stockmarket is a futures market and not a past market. So valuation is an art. Any management with unholy intentions can create excess demand for its company's shares and the price can shoot up."

Other implications. But the size of the floating stock has other implications too. Says DSP Financial Consultants vice-chairman Shitin Desai: "If the issue by an existing listed company is of just Rs 10 crore, then it could command a high premium. But say it is Rs 100 crore, then the premium would be much lower." His logic: since in the second case, the floating stock is higher, selling pressures would be greater and the market price after the issue may drop. Merchant bankers, therefore, would have to guard against overselling a company's issue.

Merchant banks will also have to quickly professionalise. At DSP Financial, Shitin Desai has plans to professionalise his team further. "We would be looking at more MBAs and CAs," says he.

Others are already confident. Says Kampani, "We already have several CAs in our fold to analyse the client's prospectus." Sharma of ANZ Grindlays is talking about proactive restructuring: "We are already internally discussing how to restructure the merchant banking division. We will be stressing specialisation."

Everyone agrees that freeing the capital market will mean more accountability for merchant bankers. But not everyone agrees that the merchant bankers should take the rap for bad counselling. Sebi's guidelines conspicuously exclude the proposal for a safety net: a mechanism which would make it obligatory for merchant bankers to guarantee the prices for issues they handle and make it obligatory for them to buy back shares from investors if prices fell beyond a point. While initially Sebi seemed keen to incorporate the safety net in its guidelines, vehement opposition from the merchant banking community appears to have had its way. Most in merchant banking circles think it's not right to have the provision. Says Shitin Desai: "Why should I be a guarantor for the share price. Share prices depend on the market demand and supply situation and anything could happen."

But most merchant bankers agree that the new norms would mean shoring up their own credibility among their clients. Because pricing is free, the post-issue performance of a scrip can be a first-hand reflection of whether a merchant banker has done his job right.

While merchant bankers have to gear up to meet their challenge, the hundreds of brokers and the thousands of sub-brokers who actually market the issues also have lessons to learn. Till now the marketing of issues has meant mere distribution of forms to potential investors. "But with free pricing," points out Kampani, "more creative marketing strategies would have to be adopted." Here's his prescription: "You would need a fund manager and portfolio managers who don't take the investors for a ride." Kampani says merchant bankers could develop synergies with broker networks for efficient marketing. The guidelines, he says, will separate the boys from the serious players. "Brokers who adopt a professional attitude are bound to replace the existing brokers, some of whom are still living in the 16th century," he quips.

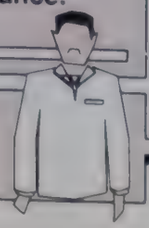
But big brokers have already seen the writing on the wall. Says former Delhi stock exchange president Harish Bhasin: "The guidelines are quite reasonable. It's a self-regulatory set of norms."

Merchant banking circles underline the need for educating broker networks. "Earlier, we had the roadside tamashas, films and what have you. This was all superficial education. Now this will all change and you'll witness real conferences where the interaction will be more businesslike."

Everyone is unanimous that the Sebi

THE CCI REGIME: RED TAPE

1. A new company is formed by a businessman.
2. He ties up the financing by approaching a merchant banker.
3. Financial institutions or banks appraise the project.
4. The merchant banker, on behalf of the businessman approaches the CCI after filing the required forms and ties up all the funds.
5. CCI permission is obtained after about a month or two months.
6. The businessman then sees that the issue is underwritten and that CCI conditions are met.
7. He approaches SEBI for clearance.
8. Next, he has to register the company at the registrar of companies (ROC).
9. After receiving acknowledgement from ROC, the public issue is launched.



guidelines are a cure for the distortions in the primary market. Cornering share issues through multiple applications is one menace all merchant bankers expect will disappear. With more realistic premia for issues, it will be tougher for stock market operators to put in multiple applications. Anand Desai explains: "Let's say a person has Rs 1 lakh. If there was an issue at par (Rs 10 per share), he could fill up 100 application forms, each for 100 shares. Now, if the issue has a realistic but high premium of, say, Rs 40 (the effective issue price is Rs 50), he can only fill up 20 application forms for 100 shares each." The implication: fewer forms will be printed and brokers will have to market issues in a more focused way.

THE SEBI REGIME: LESS TIME

1. A new company is formed by a businessman.
2. He ties up the financing by approaching a merchant banker.
3. Financial institutions or banks appraise the project.
4. The merchant bank ties up the underwriting, the funds for the project, and determines the issue's share price.
5. The merchant bank approaches SEBI for clearances.
6. Next, the entrepreneur registers the company with the ROC.
7. After receiving ROC's acknowledgement, the public issue is launched.



It's not the brokers and merchant bankers alone who will have to change their styles. The investor too is in for a new experience. In the earlier regime, when new issue premia were low, sometimes priced at a fourth of the ruling market price, investors in such issues got a virtual bonanza in the form of handsome capital gains. "Investors have got used to getting returns of 100-400% because of issues at par or at low premia," says Shitin Desai, "and that's the primary reason for issues like Tata Timken getting oversubscribed thousands of times."

In the new regime, share issues will have more realistic premia and this could mean that investors would have to change their mindsets. Says Sharma of ANZ Grindlays: "I believe there's going to be a lot of resistance from investors, because from now they can only expect returns of 5-10% over the coupon rate." Apart from anything else, this could mean that the marketing of new issues would get that much tougher.

In fact, merchant bankers say investors themselves will have to analyse the fundamentals of the company and make their own futuristic calculations. The million-rupee question, therefore, is whether the average Indian investor is equipped to do these things, and whether the new guidelines can see the Indian investor moving away from the primary market towards mutual funds and other such indirect investment options. Says Sharma: "The guidelines are welcome but the market is still young and has a long way to go."

What could happen, though, is the gradual emergence of a new breed of more demanding investors — a breed which would be familiar with the rough and tumble of corporate performance, the esotericism of company balance-sheets and the roller-coaster stockmarket. Most shareholders today don't attach much importance to the balance-sheets that they are routinely mailed. "But now they'll have to take it seriously," says Shitin Desai. He gives an example to explain his point:

"Let's say a company is issuing rights shares and the current market price of the shares is Rs 200. Assume that the company is demanding a premium of Rs 150 for the rights shares under the new liberalised norms. Earlier, perhaps, the company would issue the rights at Rs 70 premium (under the old CCI norms) and the shareholders would get the rights at half the price. That won't be the case anymore. The premium will go up — and shareholders will have to pay more.

Still, there are a few brickbats for the guidelines. Even so, those who are hurling them aren't really criticising them, but merely pointing out some grey areas. Says Vijay Sood, deputy manager, India, merchant banking division, HongkongBank: "The guidelines are a welcome step but a few areas still remain uncovered. For instance, nothing has been said about new instruments." His contention: whenever a company dreams up innovative instruments, there could be fresh hankering. "There's little attempt at looking forward."

Others think the stipulation of a 50% promoter's share for new ventures floated by existing companies is too steep. "It's a lot of money for promoters, particularly when you take into account a five-year lock-in period. Companies which aren't cash-rich will have to think hard before they come to the market," says an official of a foreign bank in Delhi. Bhasin (quoted earlier) makes another point. Says he: "There's a bit of a grey area about successive issues. Earlier, companies were restricted from returning to the market within 12 months after making one issue. The guidelines now don't spell out the rules."

But then most of the criticisms are about the nuts and bolts and nitty-gritty, a clarification here and a modification there. Otherwise, the reaction to Sebi's new guidelines can be summed up by Anand Desai's rave billing: "It's the best thing that could have happened to us."

□ Jiten Mehta
(With reports from Sujatha Shenoy.)

TWO GOOD PICKS

By CLIFTON DeSILVA



The shares of PL Finance and Murudeshwar Ceramics appear good for long-term investment

The author is a Bombay-based investment manager

It has been engaged in hire purchase and leasing since 1981. And over the years **PL Finance & Investment** has emerged as one of the leading finance companies in Madras.

Originally incorporated as a wholly-owned subsidiary of Pierce Leslie India (PLI), a 129-year-old company engaged in the businesses of cashew cultivation, cargo, travel etc, PL Finance's initial paid-up captial was Rs 24.50 lakh. It went public in 1984 with a Rs 1 crore equity issue. A rights offer of equity shares of Rs 75 lakh in 1986 doubled the equity base to Rs 2 crore.

Courtesy the rights issue, PLI's holding in the company whittled down to 26% with the rest lying in public hands. In 1990, PLI hawked off 15% of its stake as well as management responsibility to Worldlink Finance, a north-based outfit. A year later Worldlink sold its holding to Premier Housing & Industrial Enterprises, a leading south-based housing development company, which chalked up ambitious growth plans for PL Finance. The company took up bill discounting in 1990. It has a large-scale foray in the short-term money market in the pipeline, and is proposing to take a bow in the field of portfolio management too.

That's not all. A diversification into the area of housing development (initially, it will concentrate on small projects) is on the cards. Here, PL Finance's links with Premier Housing will surely prove handy.

When Premier Housing added PL Finance to its stable, the latter had a small resource base. To enlarge it, PL Finance came out with a rights issue, after which its equity stands at Rs 5.45 crore.

Although its performance over the past decade hasn't been spectacular mainly due to inadequate resources, PL has been regularly doling out dividends for the past eight years.

The provisional figures for the year ended March 1992 show the value of assets (leasing & hire purchase) at Rs 13.74 crore as compared to Rs 12.48 crore the previous year. Lease rentals are up to Rs 2.17 crore (1.93 crore) while net profit is placed at Rs 65 lakh (Rs 58 lakh). The 20% dividend of last year is likely to be maintained this year.

According to projections for the year to March 1993, income is expected to almost double to around Rs 4 crore and net profit increase by 150% to around Rs 1.60-1.70 crore. This will yield an earning per share (EPS) of around Rs 3 on the expanded capital base — that's enough for the management to maintain dividend.

The shares of PL Finance are currently quoting around Rs 17.50 and Rs 15 on the Bombay and Madras stock exchanges respectively. The share has potential to appreciate 100% in a year. In this light, PL Finance does appear a sound investment proposition.

Barely five years old, the ceramic tiles industry has turned out a performance that belies its age. And that too at a time when the construction industry (on which ceramic tile makers depend a lot) isn't in too good shape. But now with construction poised to pick up, demand for ceramic tiles is expected to hit the roof.

A company which has been able to make its presence felt in a relatively small timespan is **Murudeshwar Ceramics** which markets its products under the brandname Naveen.

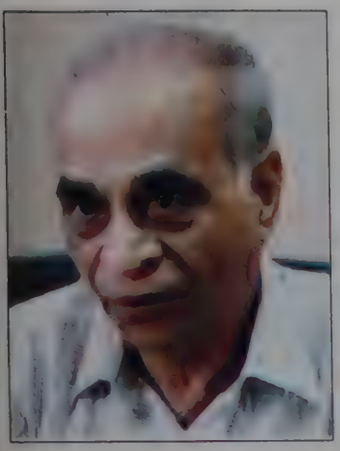
A joint sector outfit, Murudeshwar was promoted by R.N. Shetty and his associates, and the Karnataka State Industrial Investment & Development Corp. The unit was set up to produce 12,500 tonnes per annum (tpa) of ceramic floor and wall tiles near Hubli (Karnataka) at a cost of Rs 13.45 crore. Technology for the single firing process was provided by Klingenberg Dekoramik of Germany and the plant and machinery supplied by Sacmi Imola of Italy.

Commercial production commenced in the second quarter of 1988 and, since then, there's been no looking back. The working results announced for the year ended March 1992 show a substantial improvement over the previous year; margins too improved. Turnover jumped 28% to Rs 29.66 crore as compared to Rs 23.16 crore the previous year. Gross profit improved 31% to Rs 7.56 crore (Rs 5.76 crore) while net profit climbed 45% to Rs 4.80 crore (Rs 3.31 crore).

The Rs 4.80 crore net profit on an equity capital of Rs 5.02 crore translates into an EPS of Rs 9.56. Enthused by the performance, the management declared a dividend of 20%. Murudeshwar's reserves stand at Rs 8.80 crore, accounting for a book value of Rs 27.53 per share. Priced around Rs 90, the shares of Murudeshwar Ceramics appear excellent for long-term investment.

AN IDEAL SCHEME

By M.D. MUKHI



As the effective rate of return on the PPF is much higher than any other investment scheme, taxpayers at all levels should find it a great tax-saver

The author is a Bombay-based investment consultant.

This is a good remedy for tax tensions. An ideal scheme for all classes — the self-employed, salary earners and the retired — the public provident fund (PPF) has substantial tax benefits and facilities for loans and non-refundable withdrawals. Most of these liberalised features were announced by the ministry of finance under a notification issued on 23 June 1986.

A PPF account can be opened by: an individual (on his own behalf or on behalf of a minor),a Hindu undivided family (HUF), an association of persons (AoP),body of individuals or non-resident Indians (NRIs).

It can be opened at a head post office or with a branch of the SBI (or its subsidiaries) or at specified branches of other nationalised banks. Account-holders are allowed to deposit a lumpsum or an aggregate of small sums in multiples of Rs 5 (but not below Rs 100) in a financial year. The maximum amount that can be deposited in any financial year is Rs 60,000. Only 12 deposits can be made in a year. The balance in the PPF account earns interest at a rate notified by the government from time to time. The current rate (effective April 1986) is 12%, compounded annually.

Though the PPF scheme is in the nature of an annuity for 15 years, the number of contributions, surprisingly, has to total 16. The last contribution can be made anytime during the 16th financial year, even on the last day of the year. This is because the 15 years are counted from the financial year immediately following the date on which the account is opened. The account matures on the first day of the 17th year. On maturity the amount at credit can be withdrawn, but the account can also continue further for a block period of five years at a time for three such successive block periods, with or without fresh deposits.

LIQUIDITY FACILITY

To provide liquidity to this saving-cum-investment scheme, there is a partial withdrawal facility. One withdrawal is permitted every year between the sixth and 16th financial years, of an amount not exceeding 50% of the balance at the end of the fourth preceding year or the year immediately preceding the year of withdrawal (whichever is lower, minus the amount on loan, if any). The amount withdrawn need not be refunded.

In times of need, one can avail of loans from the third financial year of the account to the extent of 25% of the credit balance at the end of the second financial year immediately preceding the year of the loan. The loan, carrying an interest rate of 13% per annum, has to be repaid either in a lumpsum or in instalments within 36 months. If it is not repaid before this period, the interest on the outstanding loan will be 6%.

PPF's main attraction is its tax concessions:

- PPF contributions up to Rs 50,000 in a year (along with other specified investments) qualify for tax relief under s.88 of the Income-Tax Act (ITA), 1961.
- Interest credited to a PPF account is totally exempt from tax under s.10(11) of ITA. So are withdrawals from the PPF account.
- The balance held in the account also qualify for total exemption under s.5 of the Wealth-Tax Act, 1957.
- An investor can gain substantially by giving gifts to his wife and minor children by opening PPF accounts in their names. Since the interest on the PPF account is tax-free and the accumulated balance wealth tax-free, the clubbing provisions under ITA as well as the Wealth-Tax Act become inoperative.
- The balance in a PPF account is not subject to any attachment under any order or decree of a court in respect of any debt or any other liability incurred by the account-holder.

Till recently National Savings Certificates (NSCs) had an edge over the PPF scheme. However, some of the recent modifications in both these schemes have placed the latter miles ahead of NSCs. However, NSCs remain a hot favourite with salaried persons and average investors. This may be due to a lack of understanding or due to the contrived nature of the scheme. It may even be due to a feeling that the investor would have to keep nursing a PPF account for 15 long years whereas under the NSC he can get a tax benefit and forget about the certificate for the next six years.

In sum, as the effective rate of return on PPF investments works out to be much higher than NSC or any other investment scheme, taxpayers at all levels should find it a great tax-saver. The scheme is flexible to suit people with different needs and income patterns.

FIRING ON ALL CYLINDERS

Any just-initiated financial analyst, tracking the working results of the Rs 50 crore Deepak Nitrite Ltd (DNL) during the 1992 boom, must have been boggled at the way the scrip was appreciating on the bourses. Pre-interest margins were steady around 18% of net sales; net profit for the first half of 1991-92 was Rs 2.19 crore on an equity capital of Rs 5.36 crore, yielding an annualised earning per share (EPS) of Rs 8. The share's peak during the year: Rs 275 at a price-earning (P/E) multiple of 34. What, then, were the investors after?

The clue as to what Dalal Streeters were really pursuing lies in DNL's gross block. As per its 1990-91 annual report, gross block moved from Rs 31.70 crore (1989-90) to Rs 34.78 crore (1990-91). Most important, capital work-in-progress as on 31 March 1991 was an impressive Rs 15.27 crore. Conclusion: DNL was adding to plant and machinery at a time when most corporate observers were thumbing down moves of this sort.

Promoted by C.K. Mehta to make sodium nitrite/nitrate, DNL went public (its issue was oversubscribed 19 times) in the early seventies. By end-1972, its plant had gone on stream. Between 1976 and 1980, DNL expanded, then diversified. It added nitric acid, ammonium nitrate, and dinitroso pentamethylene tertamine (DNPT) to its product range. In 1982, it went one step further and floated Deepak Fertilisers & Petrochemicals Corp Ltd (DFPCL). Today, DNL's product portfolio has grown from two to 30.

DNL's managers aver that the best is yet to come. The company has over the past year prepared the groundwork for a massive diversification into nitroaromatics (NA), among which figure paranitrochlorobenzene (PNCB) and orthonitrochlorobenzene (ONCB), which are largely used to make dyes, pesticides and pharmaceuticals. The company's executives have ample reason for being bullish. Take PNCB as an example. DNL intends to use benzene and chlorine as raw materials — priced around Rs 17.50 and Rs 2.10 a kg respectively. "This represents substantial value-addition for us," explains DNL's NA division's general manager M.K. Patil.

DNL has already started selling PNCB with the PNCB/ONCB divisions producing at the rated capacity of 6,000 tonnes per annum (tpa). This sudden jump in capacity utilisation levels would normally have caused a glut, which in turn would have led to a mini price war. This, however, is not happening in DNL's case. "Demand for NAs in the country," adds Patil, "matches the supply of 31,500 tpa. However, we at DNL have an escape route in case of a glut. We intend to export at least 30% of NAs each year.



THE NANDESARI PLANT & (INSET) MEHTA: *Bullish signals*

DNL's rationale for being the daring contrarian and finding overseas niches, despite the fact that the margins are higher within the country, is simple. At today's international rates it manages to cover variable costs and interest. Besides, with the higher capacity utilisation taking care of exports and all the material being shipped to hard currency areas, the advantage is likely to emerge in a few years from now.

This apart, the company is thinking in terms of integrating forward (between June and September 1993) by getting into the manufacture of orthonitroaniline and dinitrochlorobenzene. "There is good demand for these products," says Patil, "while the value addition is substantial."

That's in the future; its mother unit is currently on a good wicket. Sodium nitrate/nitrite sold for an average Rs 9,710 per tonne in 1989-90 and Rs 10,622 per tonne in 1990-91. Ex-factory prices today are nearly Rs 13,500 per tonne for sodium nitrite and Rs 6,500 for sodium nitrate. The company also manufactures dilute nitric acid, but production levels have been falling over the past couple of years (33,346 tonnes to 31,333 tonnes). "Of our 150 tonnes per day nitric acid capacity, 120 tonnes is turned out in dilute form with 30 tonnes being concentrated," explains DNL director A.K. Dasgupta, who oversees operations at the Nandesari mother unit. "The reason why our production levels have been falling is because of an inbuilt flexibility to produce sodium nitrite."

Currently DNL is sending out bullish signals all right. Mehta puts the sales target for 1992-93 at around Rs 80 crore with the NA division contributing half of this. Income from earlier existing products (Rs 42.12 crore in 1990-91) is expected to be maintained. On the profit side, one could expect the mother unit to generate Rs 6 crore of cash flow. The NA division could, at 100% capacity utilisation, bring in a cash flow of Rs 10 crore in 1992-93. That gives a gross profit (post-interest) of around Rs 16 crore. Assuming a 10% tax rate (1990-91 norm), one gets a cash flow of nearly Rs 15 crore, giving a cash EPS of around Rs 28 for 1992-93.

For a company that manufactures inputs for explosives, the future of its stock (at a price of around Rs 170) looks right for a few fireworks in the months to come.

☐ Mudar Patherya

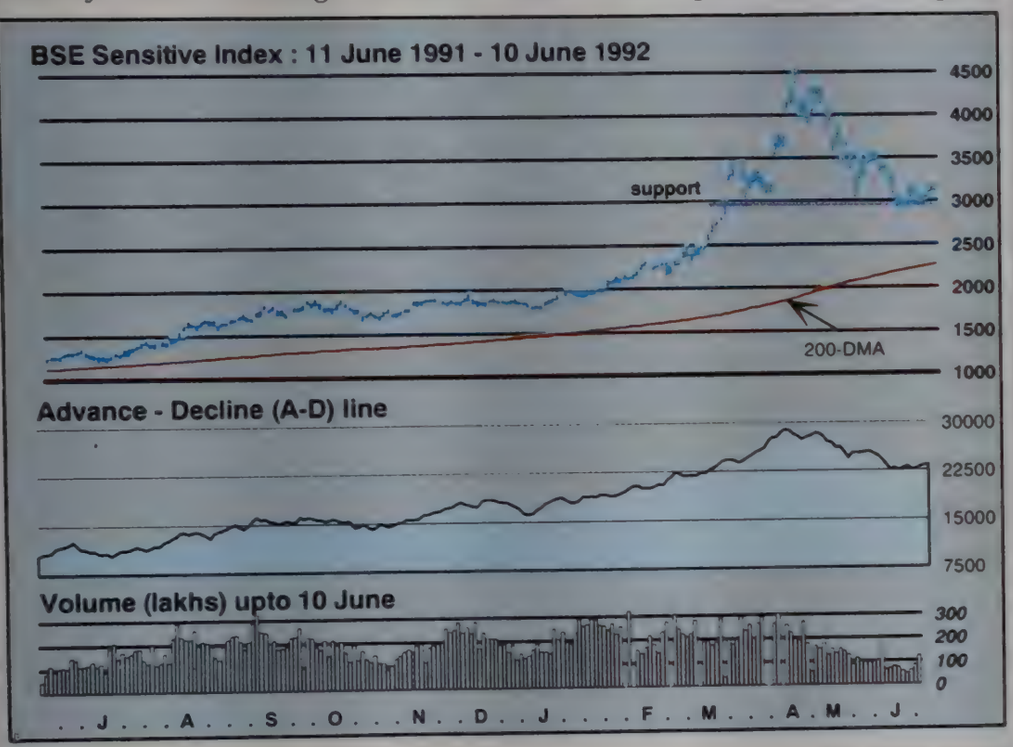
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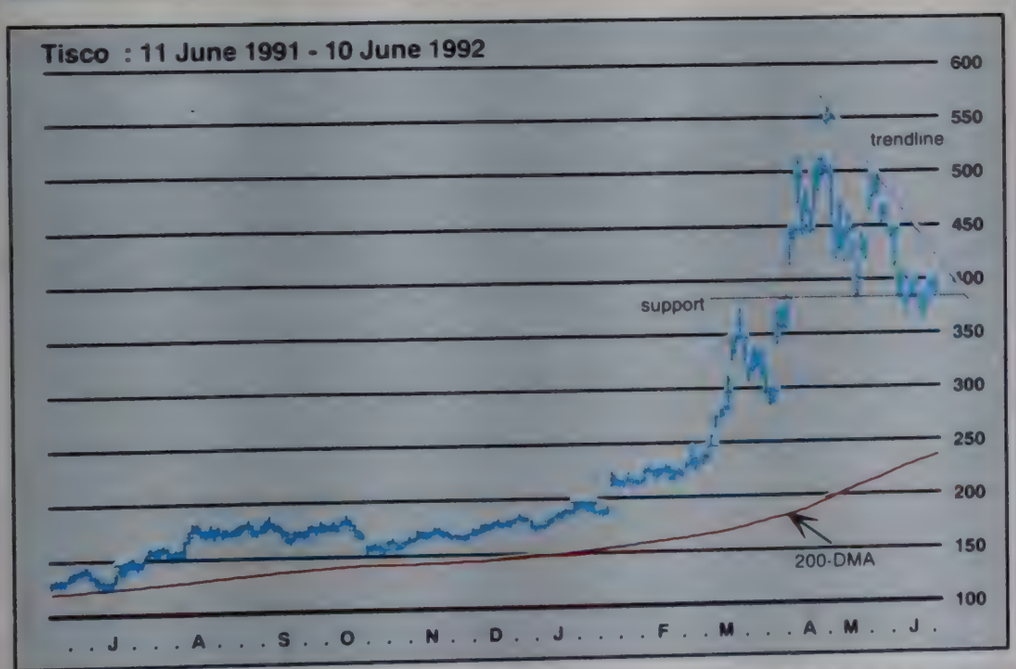
By DEEPAK MOHONI

The market traded for the first three calendar days during the fortnight under review, after which operations came to a grinding halt on Dalal Street. For once, it made sense to curtail activity, as a free-for-all has developed over the status of stocks that passed through Harshad Mehta's outfits. Many investors who had burnt their fingers after buying stocks at Bombay stock exchange sensitive index (BSE Sensex) levels of 4,000-plus now face the prospect that some of those stocks may be invalid. Even if the problem eventually gets sorted out sensibly, many investors may miss out on bonus and rights issues, and dividends due to them.

In the three days of trading that did take place, the 30-share Sensex improved from 3,086.74 to 3,140.80 to finish 54.06 points (1.75%) higher, while the 100-share national index (NI) outperformed it in going up from 1,339.41 to 1,381.36 for a gain of 41.95 points (3.13%). All this occurred before the latest crisis, and at that point of time the market had been showing signs of reversing its intermediate-term downtrend.







The picture has been quite muddled since then, as prices crashed in the few exchanges that chose to remain open. It, however, does not make sense to consider those prices for the sake of analysis, since the upcountry exchanges simply do not handle the level of business that Bombay does, and as such may not be reflecting the true demand-supply situation prevailing.

Even trend-based analysis is greatly threatened by this crisis, as declaring completed transactions to be invalid is an attempt at changing history. As a consequence, the immediate future of the market is going to depend on how the mess is sorted out, rather than what the charts are showing. All the analysis that follows assumes that the stockmarkets are not turned upside-down by rendering settled transactions void.

As mentioned in the last issue, the chart forecasts for the indices centred around the question of whether a bearish head-and-shoulders pattern was going to have its say. In the case of the Sensex, the index needed to fall below 2,975 or thereabouts for such a pattern to develop, a situation which has been averted so far.

The NI had completed such a pattern, but improved during the fortnight to suggest an unconfirmed failure of the head-and-shoulders formation. In any case, the pattern did not form under constant trading rules, as these were changed several times during its evolution. It may therefore be unwise to follow a trading strategy

TECHNICAL ANALYSIS

based on this pattern.

The 200-day moving averages (200-DMAs) of most stocks are still rising, to suggest that the long-term trend of the market is up. Further, several stocks have declined to levels close to these 200-DMAs, which is traditionally a likely turning point. The 200-DMA for the Sensex is now 2,284.03, and that for the NI 1,056.24.

Neither the advance-decline line nor the volume figures show any divergence with the behaviour of the indices. The volumes are running at very low levels, and have been random in the sense that they have shown no preference for either market declines or advances.

Finally, we look at four major Sensex stocks, as their individual behaviour would greatly affect the future course the Sensex takes.

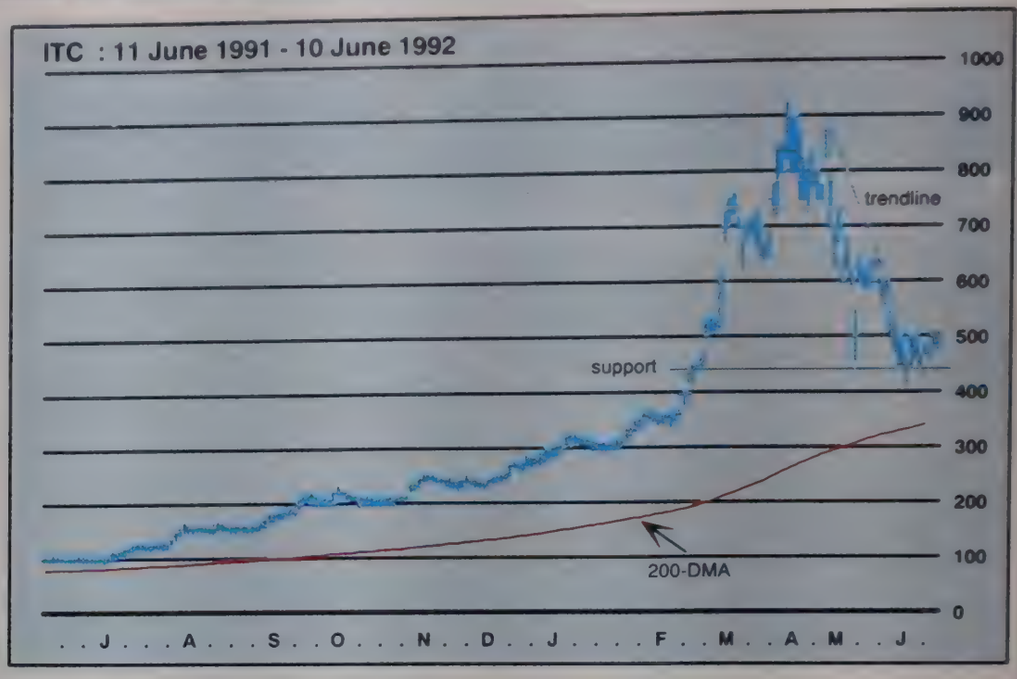
Tisco has still to break out of its declining intermediate-term trendline, unlike the other Sensex heavyweights. It has an important support level around 380, which has held out in Bombay. If the stock falls below this level, chances are that the Sensex too would break below its support at 3,000, which was looking solid until now. Tisco closed around 360 in other trading centres but, as mentioned earlier, its action in Bombay has to be considered more significant. The stock has a rising 200-DMA of 242.32.

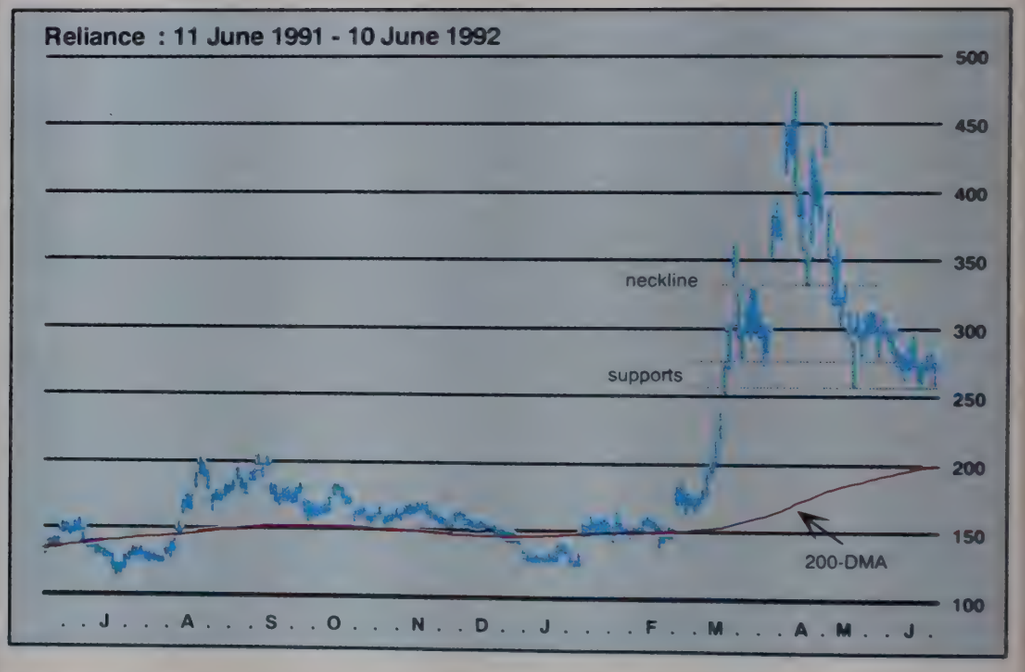
ITC has a rising 200-DMA of 341.22, and recently developed support at 450. The stock broke out of its descending trendline, unlike Tisco, and had been in a minor uptrend.

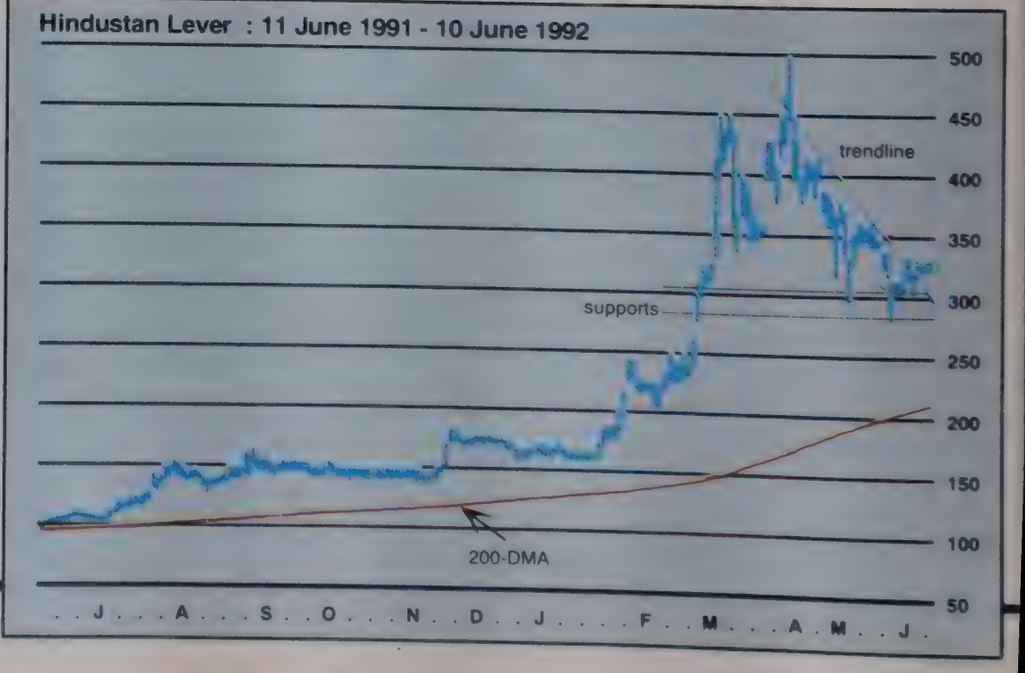
Reliance has support at 260 and 270, which it has fallen through in other centres after trading in Bombay stopped. The stock had formed a double top during the recent market slump, with a minimum downside target of 270 or 220, depending on whether closing or intra-day values are considered. The stock's 200-DMA is 201.05.

Hindustan Lever had broken through its descending trendline and embarked on a minor uptrend when trading came to a stop. The stock has a 200-DMA of 217.51, and recently established support around 300.

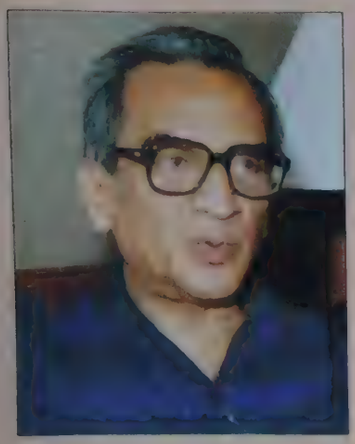
• *The author runs Smartcharts, which offers chart services and technical analysis research*







ISSUES & PROMOTERS



The DCM Shriram group headed by Bansi Dhar is thinking big. Daurala Organics Ltd (DOL), which has a plant in Meerut, plans to manufacture D-alpha phenyl glycine chloride hydrochloride (DAPGCH), a critical input for life-saving antibiotics like ampicillin and cephalexin.

Why this area? Says Bansi Dhar: "To begin with, we wanted to venture into an area where there would be little government interference. And secondly, we wanted an industry which would bring us closer to the masses." The demand for DAPGCH is currently estimated to be 1,100 tonnes per annum (tpa) and is expected to grow 20% annually. DOL's plant will have an installed capacity of 500 tpa. The company has obtained the relevant technology from Eka Nobel AB of Sweden and Giral of the UK.

To part-finance the Rs 42.50 crore project, DOL has entered the capital market with an at-par equity issue of Rs 4.76 crore.



Even after promoting eight companies, Vijay Kumar Gupta's appetite remains insatiated. He's now venturing into maize derivatives like starches, liquid glucose, dextrose and sorbitol, through Gujarat Ambuja Proteins Ltd (GAPL).

Says Gupta: "The quantity of production will depend on the demand and supply position in the country and on the product that is more profitable to us. Our plan is to concentrate mainly on starch as the excise duty on it has been lifted." The company is setting up a plant at Himatnagar, Gujarat, which will have a capacity of 90,000 tpa.

To part-finance the Rs 50 crore project, GAPL is entering the capital market on 7 July with a rights-cum-public issue of 14% fully convertible debentures (FCDs) of Rs 250 each, aggregating Rs 40 crore. The FCDs will comprise of two equal parts. Part A of Rs 125 will be converted into five equity shares at a premium of Rs 15, six months after allotment while the conversion for Part B will take place in the same way 18 months after allotment.



Adithya Exports Ltd (AEL), promoter M. Sridhar, is once again approaching the capital market but this time for a new company — Adithya Alkaloids Ltd (AAL). AAL is setting up a 100% export-oriented unit (EOU) which will manufacture and export high-value alkaloids extracted from various agricultural and herbal products.

Says Sridhar: "We will be extracting vincristine sulphate BP/USP from *Catharanthus roseus* leaves. Vincristine sulphate is a critical raw material used to produce anti-cancer drugs." *Catharanthus roseus* is grown extensively in Andhra Pradesh. AAL has signed buying agreements with small farmers for supplies. Besides, AAL has tied up an arrangement with a Swiss firm Indukern Chemie, which will market the entire produce.

To part-finance the Rs 10 crore project, AAL is coming out with an at-par equity issue of Rs 2.16 crore.



Its target is to raise its turnover from the present Rs 150 crore to Rs 500 crore in 1995. And for this purpose, the Ramgopal group headed by Mohanlal Jatia has identified key areas for expansion and diversification. The group's plans include expansion of its current yarn-processing capacities, diversification into agro-processing, cement and financial services, and backward integration in its yarn and luggage divisions.

Says managing director Sudhir Jatia: "Our immediate plans involve an expansion project in polyester yarn processing which will nearly double the group's capacity. This project is being implemented under a new company Ramgopal Polytex Ltd (RPL) based in Thane (Maharashtra)." The estimated cost: Rs 8 crore.

To part-finance the Rs 8.22 crore polyester yarn processing project, RPL is slated to enter the capital market in August with an at-par equity issue of Rs 2.40 crore.

ISSUES & PROMOTERS



Trader to manufacturer: that's the route Atmaram Parwal has chosen. His first venture, Vital Pharma Impex Ltd (VPIL), will manufacture pharmaceutical grade capsules.

Says Parwal: "Basically, I wanted to enter the manufacturing line. Since I already possessed the trading skills, I thought this would not be too difficult a venture. Also, the company's board is experienced enough and they will provide the necessary guidance."

The plant's location at Tarapur, Maharashtra, a notified backward area, will give the company income tax, sales tax and octroi benefits. VPIL plans to export at least 70% of its production and has already finalised export orders from Malaysia, Vietnam, Nigeria, Africa, Bangladesh and Switzerland.

To part-finance the Rs 4.17 crore project, VPIL is coming out with an at-par equity issue of Rs 2.43 crore.



While discussing possibilities for diversification and expansion, the Delhi-based Thapar group came across Taiwanese firm Luxe and approached it. Thus was born The Waterbase Ltd (TWL), a 100%, Rs 42.50 crore export-oriented aquaculture and shrimp-processing project.

Says group chairman & managing director Vikram Thapar: "The plant has been integrated in such a manner that the overhead costs are relatively lower. Also, the shrimp farm, to be set up in Nellore in Andhra Pradesh, is to be integrated with the feed plant." This will yield considerable savings.

To part-finance the project, TWL has entered the capital market with an at-par equity issue of Rs 2 crore and an issue of 15% partly-convertible debentures (PCDs; face value: Rs 100) totalling Rs 3.80 crore. The convertible portion (Rs 50) of each PCD will yield five shares at par on allotment.



It's a yarn-texturising unit launched five years ago by technocrats. Today, Nakoda Textiles Ltd (NTL) has achieved a turnover of Rs 12 crore with profits of Rs 1.27 crore — an increase of 72% in one year. The company is now planning a major expansion in texturising and manufacture of filament yarn.

Says NTL managing director Babulal Jain: "To begin with, we are a profit-making company with a consistent track record. Since inception, we have come out with two rights issues and a bonus issue. Hence our credibility cannot be doubted." The texturising capacity is now proposed to be expanded from 708 tpa to 2,658 tpa.

To part-finance the Rs 11.25 crore expansion, the company is approaching investors with an issue of 11 lakh FCDs (face value: Rs 60). Rs 20 of each FCD will be converted into one share at a premium of Rs 10 on allotment. The balance will be converted into two equity shares of Rs 10 each at a Rs 10 premium six months after allotment.



A subsidiary of Indian Seamless Metal Tubes, Indian Seamless Steel & Alloys Ltd (Issal) is setting up a Rs 155 crore project near Pune to manufacture 1.5 lakh tpa of carbon, alloy and special steel rounds. Says Issal managing director B.R. Taneja: "The project got slightly delayed after the devaluation. Then, we were still negotiating with our two main suppliers. We had to begin our structuring again."

Nearly 50% of the production will be taken up by the parent company. Issal has tied up with SMS Schloemann-Siemag AG of Germany to import designs and drawings. The main mill is also being supplied by SMS.

To part-finance the project, Issal is entering the capital market with an issue of 31.50 lakh-14% secured redeemable PCDs of Rs 200 each. Rs 100 of each debenture will be converted into 10 equity shares of Rs 10 each on allotment. The balance will be redeemable in three equal instalments six, seven and eight years after the date of allotment.

BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 4 August 1992.

tention is drawn the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.
2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.
3. Investments in debentures or securities other than equity shares are not permitted.
4. No investment can be made in scrips in which there has been no trading on the reference date for investment (21 July 1992 for Contest No 23).
5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).
6. The maximum amount investible in any one scrip is Rs 50,000.
7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 21 July 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.
8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 4 September 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.
9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.
10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 6% per annum.
11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stockmarkets.)
12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 23, the last date for the receipt of entries is 4 August 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 23 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**
13. In case of a tie, the money will be divided equally among the winners.
14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.
15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.
16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 17

FIRST PRIZE (Rs 2,500)
TINA SHAH
Shah's portfolio appreciated to Rs 1,33,208.50

SECOND PRIZE (Rs 2,500 TO BE SHARED)
FIVE CONTESTANTS
Their portfolios appreciated to Rs 1,28,125

It was an extremely tight contest; at least as far as the second prize was concerned. Five contestants pooled their all in Chetak Constructions and Steel Strips Wheels — which appreciated by 31.25% and 25% respectively — to bag the second prize. First prize winner Shah also pinned her hopes on Chetak Construction but her other choice Cranex (which improved 42.86%), helped her pip the others at the post.

Congrats!

INVESTOR CONTEST NO 23 — ENTRY FORM

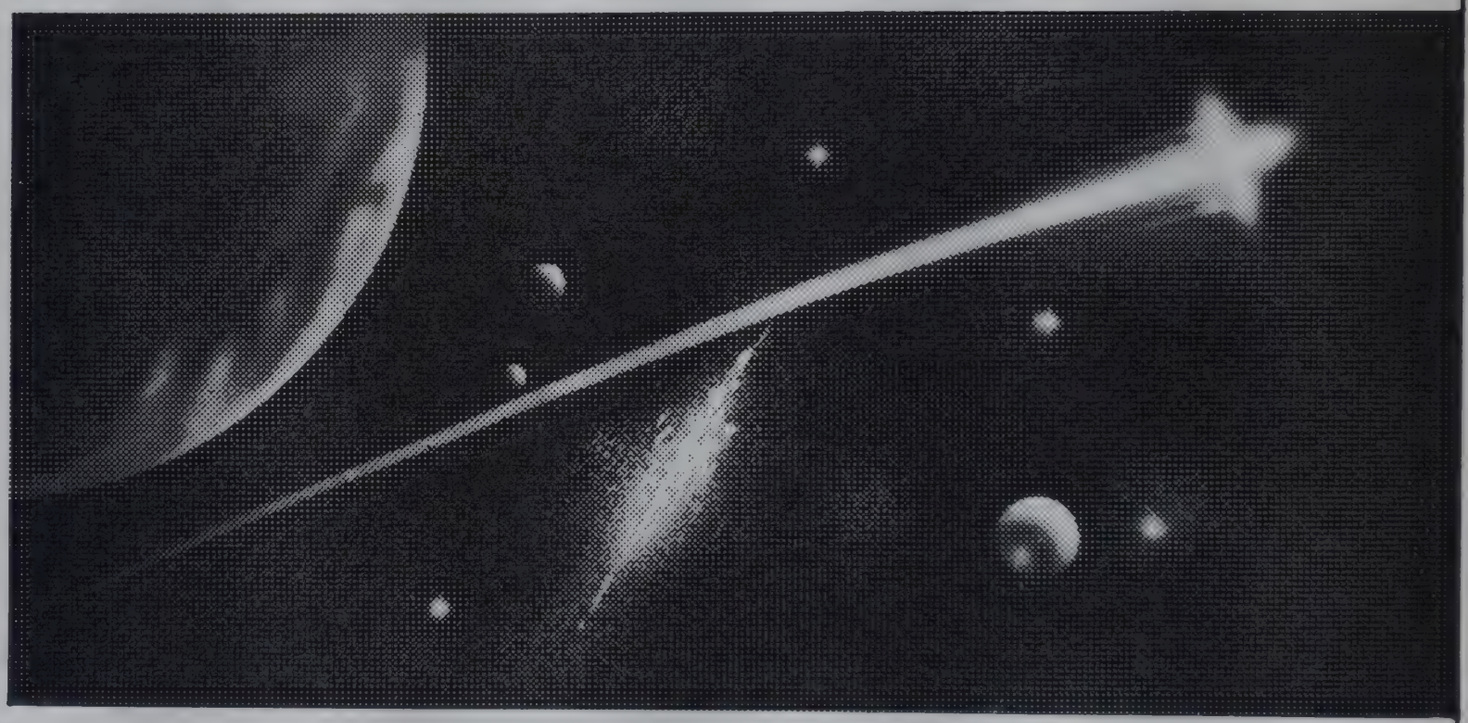
Name of scrip	Price on 21 July 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

Address: _____

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Registered Office: Bakhtawar, 5th Floor, Nariman Point, Bombay 400 021

Catch a rising star

FORTUNE 117

TIEUPS ON OFFER

Till now dried bovine serum albumins (BSAs) have only been available as a powder. The disadvantages are obvious: when working with BSAs in the conventionally dried powder form, the unavoidable dust causes solubility problems and unpleasant working conditions. An Austrian company, Haemosan, has developed a competitive alternative called "popcorn albumin." The purity and contents of protein in this product exceeds 98%. Popcorn albumin helps you to avoid dust.

Contact: Haemosan GesmbH, Neudorf 41, A-8262 Ilz, Austria. Fax: 03385/8243.

Austrian company Maitron has developed a product which for the first time applies electrostatic fields to the area of water treatment. The Maitron device produces a strong electrostatic field which prevents line or rust from building up. Calcium, which is important for the body, remains in the water and at the same time pipes and fittings are protected from corrosion. Using no chemicals, even existing rust or line buildup can be cleared away and replaced by a protective coating.

Contact: Maitron Geraetebau GesmbH, Etrichgasse 34, A-6020 Innsbruck, Austria. Fax 0512/493130.

A three-year development programme supported by British Petroleum, British Gas and Shell has led to a safer, more efficient and reliable system for testing hydrocarbon reservoirs. Exploration & Production Services (North Sea) of Aberdeen, Scotland, has developed a series of drill-stem test tools for the purpose. The tools are said to offer special advantages in the case of high pressure and high temperature offshore formations and are compact enough to enable a complete test string to be provided in only four assemblies. Drill-stem testing is a proven technique that allows the performance of a sub-surface hydrocarbon reservoir to be measured by using the tools in sequence.

Contact: Exploration & Production Services (North Sea), Kirkhill Place, Kirkhill Industrial Estate, Dyce, Aberdeen, Scotland AB2 OES. Tel: (44 224)723601.

A low-cost brickmaker, using stabilised soil to produce very high quality bricks, can help fulfil man's aspirations, be they for building a palace or a patio, a wall or a well-constructed barn. In fact, any building operation, especially in a developing country, can benefit from



this "Elephant" brickmaker. Developed by UK's Cartem Products with technical advice from David Webb, formerly of the overseas division of the UK Building Research Establishment, it can be operated easily by one person. With two or more operators, the system can be taken full advantage of, to increase the speed of production. The machine also offers a facility for powered operation using a diesel engine or electric motor which will considerably increase the output rate of bricks.

Contact: Cartem Products, Tovil, Maidstone, Kent ME15 6QZ, England. Tel: (0622)686471. Fax: (0622)691072.

The latest innovation by Europal, a Belgian company specialising in transport packaging, is the Jit-pack, which is absolutely ideal for closed-loop transport. The Jit-pack comprises three separate parts — a pallet, a sleeve and a cover — which fit together to form extremely sturdy transport packaging. The Jit-pack is so ergonomic that you can assemble it in under 60 seconds, with no risk of injuries caused by splinters or abrasive surfaces. The plastic used is perfectly smooth and the sleeve consists of three layers of corrugated cardboard. The Jit-pack therefore covers the packed products completely, providing optimum protection against rain, dust and dampness during transport. The product is strong enough to be able to make over 20 trips.

Contact: Europal, Oude Pastorijstraat 2, Bus 42, B-7540 Deerlijk, Belgium. Tel (56)775741. Fax: (56)775128.

An Austrian technician has come up with an epoch-making refinement for the radiotelephone, namely an antenna located inside the phone and not, as hitherto, outside it. The use of this new type of antenna, of significance especially for the next generation of radiotelephones, eliminates at source the occurrence of faults due to bent or broken antennae. For the record, 16% of repairs carried out on radiotelephones involve broken antennae.

The parasitic, or passive, double-angle antenna, as the device is called, consists of two metal angles, the material, shape and position inside the phone making it just as sensitive as the conventional external aerial. The inventor has also developed a computer model for perfecting the antenna. As a result, any antenna shape or position can be simulated and the ideal radiation pattern determined. The new antenna is also immune to interference from the human body.

Contact: Institution of Communications & High-Frequency Technology, Vienna Technical University, 4 Karlsplatz, A-1130 Vienna, Austria. Fax: 0222/5057940.

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So perhaps our 12,000 employees are motivated differently. Committed to the job. Which is why our capacity utilization has consistently been over 91% — well above international standards.

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So we were rated the "World's Best Performing Petrochemical Company" by Chemical Insight, London.

So what more?

IPCL

Indian Petrochemicals Corporation Limited

HTA 2862

WHAT A REAL BLUE CHIP OUGHT TO BE

DIGITAL TELEPHONE



Here's another gadget for the frenetic businessman who doesn't want to miss an opportunity to make money — even when he's on the move. With the personal communications networks (PCNs), or handsets, which are being developed in the UK, one can not only call other PCN telephones or home-based instruments but do business too from any location. The calculator-sized telephones will have suitable interfaces so that other equipment such as fax machines can be linked without a modem. Also, electronic diaries and organisers can be used as remote terminals, giving the user easy access to libraries and databases.

PCNs work on the same principle as cellular telephones, but use digital technology. As a result, sound can be transmitted without distortion. Since they operate at the higher frequency of 1.8 gigahertz, PCNs have several times the capacity of cellular phones. What's more, they are inherently more secure; tapping is virtually impossible without special decoding equipment.

VERSATILE MATERIAL

Ceramics have an enormous advantage over metals in that they can withstand high temperatures and corrosion, among other things. But there's a catch: the material is brittle. Researchers at the Los Alamos National Laboratory at New Mexico (US) have developed a process to make a new type of material — silicides — which combines the advantages of both. Besides withstanding high temperatures and resisting corrosion, the material has a low density, low thermal expansion and also has high-temperature ductility and fracture resistance.

In this process, the ceramic silicon carbide is dispersed through a matrix of molybdenum disilicate, a two-metal compound. The resulting product is heated and pressed, forming a composite of molybdenum disilicates and carbide which can withstand high temperatures eight times better than molybdenum disilicate. The material can also handle oxidising and aggressive environments at temperatures up to 1,600°C. Another plus point for the new material: it costs only as much as conventional silicon-based ceramics.

PRESERVING PAINTS

Biocides are added to paints, polymer emulsions and inks to protect them against microbial spoilages. However, adding them to polymer emulsions adversely affects the shear strength of the finished product.

British company Thor Chemicals has developed a new biocide — Activide LG — which has been formulated using isothiazolines without the use of polyvalent metal ions as stabilisers. The resultant product is a highly effective biocide which does not affect the shear strength of the product to which it is added and avoids compatibility problems.

HIGH FUNCTION POLYESTER

Polyester isn't exactly the most comfortable material to wear in hot weather. Kuraray Co of Japan has developed a high-function material — Esmo — which is modified with ceramics, thereby reducing ultraviolet (UV) ray absorption and increasing heat ray reflection.

UV penetration for Esmo fabrics is around one-fifteenth that of cotton fabrics and one-sixth that of regular polyester fabrics. Heat ray reflection is around 1.5 times greater than cotton and regular polyester fabrics. Esmo has been put into practical use in the form of a modified cross-section polyester staple fibre.

ROBOT TAILORS



Technologists at the University of Durham & Brunel University have invented a robot machine that makes underpants for men much quicker than by existing methods. The new machine, in addition to saving labour costs, makes the process much easier. Traditional methods involved making of underpants from six pieces of cloth going through 12 cumbersome stages which were mostly manual. Moreover, the traditional quality of European underpants can be maintained since the robot incorporates an electronic device that controls the quality of stitching.

STERILISING INSTRUMENTS

The instruments used by dentists are constantly exposed to blood and saliva and, therefore, need to be sterilised more than once in a day. The most often used method at present is to put them in a pressurised steam heat bath. But heat can melt plastics and corrode metals. Moisture can also shorten the life of expensive equipment.

A new way to sterilise instruments using microwave has been developed at the University of Oklahoma's College of Dentistry. Its patented method of rotating and tumbling instruments within a microwave field ensures that all the instruments are completely sterile. It also avoids the cold spots caused by waves cancelling each other out.

NEW WELDING TECHNIQUE

Steel pipes containing inner sleeves of high density polyethylene (HDPE) and used to transport corrosive liquids in the oil, gas and chemical industries are normally joined using adhesives or flanges and gaskets. TWI, the materials-joining technology centre at Abington (UK), is developing a two-stage welding technique that could provide improved service performance and cut installation costs.

The HDPE liner ends are joined by electrical resistance implant welding, a technique in which wires embedded in the ends are connected to an electric supply that heats them up and produces local melting of the plastic. The outer steel casing is then joined by conventional arc welding. In tests, the maximum temperature experienced by the liner was 176°C, sufficient to cause only slight localised surface melting.

RECYCLING OIL

Growing consciousness about the environment and the non-renewable nature of fossil fuels have led researchers to find new ways of conserving oil. US company Lyondell Petrochemical Co is now producing standard petrol and heating oil by passing waste lubrication (lube) oil through the coking furnace. The firm claims that it is the first US refinery to use lube oil to partly replace crude as commercial feedstock.

In standard practice lube oil is blended with standard coke feedstock and fed into a furnace at a temperature of 700°F. The company says that the coke, heating oil and petrol products generated using recycled oil do not show increased levels of heavy metals — one of the main problems faced by developers. Initially, the company plans to recycle 7.5 million gallons (mg) of lube oil per year, which could later go up to 30 mg per year; but that will still account for only 1% of the plant's crude oil demand.

SUPERIOR QUILT



Materials hitherto used for bed covers did not absorb moisture as does wool which can absorb up to 34% of its weight in water before it feels wet. A team headed by Geoffrey Naylor of the division of wool technology at the Belmont Laboratory (Australia) has developed a new wool-rich quilt that has all the cuddling warmth of wool combined with the practical properties of conventional quilt.

The new quilt is a blend of pure wool with a special polyester additive that keeps the wool light and airy. And it weighs much less than conventional woollen blankets. Wan Winkle, an Australian company licensed to produce the quilt, says the product is naturally superior in warmth, softness and cosiness, has excellent ventilation properties and is non-allergic.

NEW WOOD



A process that yields harder, stronger wood by modifying the cellulose fibre using a ceramic material has been developed by researchers at the University of Washington (US). The resulting ceramic is a copy of the original cellulose structure complete with openings or voids that could themselves be filled with another material to make a composite, says material sciences and engineering professor Ilha Askay.

Earlier, researchers soaked wood in tetraethoxysilane (TEOS), a silicon compound used for making glass, and then placed the samples in a curing oven at 550°C, where heat along with the water in the wood cells converted the TEOS into a ceramic that replaced the cellulose. Many ceramic materials have been tried successfully. The wood-ceramic composite looks like wood, though sometimes it has a different colour. According to Askay, it retains the grain pattern, accepts stain well and is easy to work on.

BETTER FOOD CONTAINERS

An unconventional technology that imparts a high oxygen barrier to blow-moulded plastic food containers and other rigid packagings has been developed by Japanese company Tayo Seikan Kaisha. Conventional methods to keep food fresh use suitable polymers in the core of multilayer containers as a physical barrier to prevent permeation by incoming oxygen. The Yokohama-based company instead uses an additive in the container's core layer to create a chemical barrier which works by trapping incoming oxygen.

The new technology, called oxyguard, is especially suited for use in restorable food items and small-sized bottles and injection-moulded closure applications. Ethylene-vinyl alcohol and polyvinylidene chloride are the two polymers now widely used as physical barriers in rigid packaging. The Japanese company on the other hand uses iron-based additives.

□ K.A. Neelakantan
The author is a Bombay-based freelance technical journalist.

TAXING ALLOWANCES

By H.P. RANINA



While a gift to an employee, which is remuneration for the employment or office is taxable, a personal gift in that it is given to a person not as a holder of office but as a personal testimonial is not income

The author is a Bombay-based advocate

Can money received on compassionate grounds be treated as income? According to the Income-Tax Act (ITA) 1961, any amount received on compassionate grounds is a capital receipt and outside the scope and ambit of the ITA. This has been enunciated quite often in a court of law, but unfortunately, litigation still persists.

The supreme court has once again emphasised this principle in a recent judgment delivered on 22 April 1992 in the case of *Shrimant Padmaraje R. Kàdambande vs Commissioner of income tax* (CA Nos 2,201-2,203 of 1979). Here, the assessee, the daughter of the ruler of erstwhile princely state of Kolhapur, under an order dated 8 April 1947, was granted a cash allowance of Rs 3,000 per month. The payment was stopped after the merger of the princely state and the passing of the Bombay Merged Territories Miscellaneous Alienations Abolition Act, 1955 (hereafter referred to as the Act of 1955).

Section 15(1)(d) of the Act of 1955 provides for the payment on compassionate grounds, at the discretion of the state government, of an allowance to any erstwhile alienee on an application. Accordingly, on an application, the state government sanctioned the payment of "maintenance" at the rate of Rs 3,000 per month to the assessee.

The assessee's claim that this was a casual receipt or a capital receipt was rejected by the income-tax officer (ITO). Successive appeals to the appellate assistant commissioner and the tribunal also failed. Subsequently, at the instance of the assessee, the matter was referred to the Bombay high court, which held that periodical payment of maintenance was revenue in nature. The assessee then appealed to the supreme court by way of special leave.

The supreme court referred to the judgment of the privy council in *Commissioner of income tax vs Shaw Wallace & Co* (1932 *ILR* 59 Cal) case as to what constitute "income" under the ITA. According to the court, under clause (d) of the Act of 1955, an alienee has to make an application. And the state government would pay as compassionate payment an amount equal to such allowance during the lifetime or for a lesser period as it thought fit.

The Revenue here relied on the *Raja Rameshwar Rao vs Commissioner of income tax* (49 *ITR*(SC)144) case which dealt with interim maintenance allowance. Here, the maintenance allowance was qualified by statute and it was a nomenclature peculiarly suited to payments of the nature of income, unlike the present case which was purely a discretionary payment. The supreme court held that it was no use contending that after the order was passed an enforceable right arose. It held that no statutory right was created in such cases falling under clause (d) of the proviso to s.15(1) of the Act. This was unlike those cases falling under clauses (i), (ii) and (iii) of s.15(1). It held that neither the fact that the assessee had applied for a grant for maintenance nor the periodicity of payment was conclusive.

Referring to the *S.R.Y. Sivarama Prasad Bahadur vs Commissioner of income tax* (82 *ITR* 527) case, the court observed that the observations made in Raja Rameshwar Rao's case should be read in the light of the facts of the case. It noted that from the ruling in the Sivarama Bahadur case, it is clear that what is decisive is the quality of the payment. The court took the view that only the nature and quality of payment and not the periodicity or the nomenclature would be the determining factors. The high court then held that this was not compensation.

The assessee then lost her right to these allowances. Thereafter, on an application, by way of compassion, the payment was made.

Thereafter the supreme court held that the reliance on the Raja Rameshwar Rao case was not correct, and that the amounts received by the assessee were capital receipts and not income within the meaning of s.2(24) of the ITA. Accordingly, it set aside the judgment of the high court and allowed the appeal.

There are several other rulings of courts where it has been held that any amount given on sympathetic grounds or even for personal reasons is not taxable as income.

Accordingly, while a gift to an employee, which is remuneration for the employment or office is taxable, a personal gift in that it is given to a person not as a holder of office but as a personal testimonial is not income. Similarly, a voluntary subscription for a special purpose, or a personal gift or testimonial paid to a lawyer or other professionals as a token of esteem, unconnected with any particular professional act or service, is not income.

To sum up, it is a fallacy to think that all receipts are in the nature of income. In every case, it has to be decided on facts whether a receipt bears the indicia of income, because if it does not, it would not be taxable as it would be a capital receipt.

SMOKING THE PEACE-PIPE

They've smoked the peace-pipe at Vitta Mazda, the Bombay-based hire purchase, leasing, real estate and agri-business outfit. Managing director Yezdi J. Master has stepped down and been redesignated company secretary, and Vitta Mazda itself has become a board-managed company with Daroo K. Deboo, chairman of the Mazda group (other companies in the group include Mazda Textiles and Mazda Properties), functioning as chairman.

So why does a managing director almost overnight become company secretary? Behind Master's change of designation lies a story that's never been told.

Apparently, Vitta Mazda's then managing director clashed with the company's board. Says Master: "While I was the managing director there were some problems between me and the board regarding thrust areas in business. These have since been resolved."

At one point of time, the differences assumed serious proportions, with the two sides in the conflict furiously filing legal



MASTER: *New designation*

petitions against each other. The bone of contention: the board wanted to focus on real estate and agro forestry; Master believed that leasing and hire purchase made more business sense. This was sometime in 1989-90 and it carried on till about 1990-91.

The company's leasing and hire purchase business had by then plunged Rs 1 crore into the red. Against this backdrop, the board prevailed.

Meanwhile, Vitta Mazda suffers from another embarrassment: it shares a name with Harshad Mehta's Mazda Leasing & Finance. "Our share prices which during the boom ruled at Rs 120 have now come down to Rs 25 thanks to the association," says Master.

That may not be the only reason for the drop in scrip values. Last year, it reported a turnover of just Rs 2 crore and a net profit of about Rs 30 lakh. However, Master hopes to take the turnover up to Rs 7 crore in a year. "We shall also be back on the dividend list by the end of the next financial year," he promises.

It remains to be seen whether that master strategy will work.

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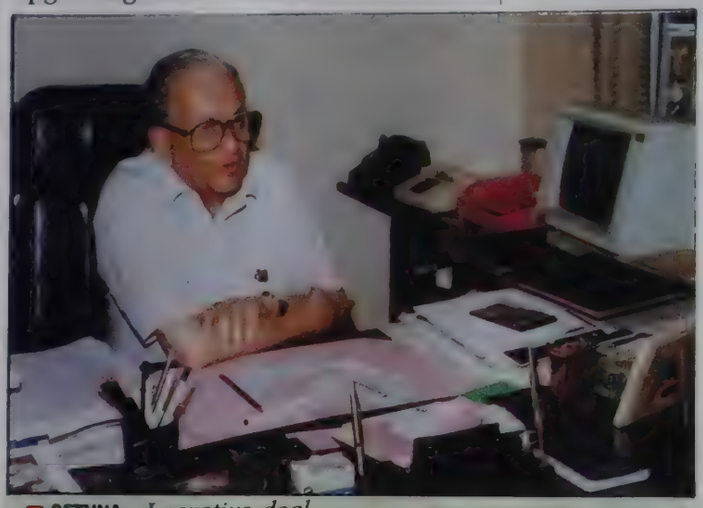
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TELECOM TIEUP

With the telecommunications market set to burgeon, manufacturers are furiously upgrading their technical capabilities and widening their product ranges. A classic example of this on-going process: Tata Telecom. Last fortnight, the Indian telecommunications giant-in-the-making announced a new joint venture with US giant AT&T.



SETHNA: *Lucrative deal*

The venture, called Trans-India Network Systems (TINS), will produce advanced transmission systems for the telecommunications equipment market. AT&T and Tata Telecom will each hold 50% of the Rs 15-crore equity in the company.

TINS will produce SLC-120 network access systems (Nas), optimux optical multiplexers, digital line systems and multiple access radio (Mar) systems.

Mar provides urban quality service to rural and remote areas at an affordable cost. Says Tata Telecom chairman H.N. Sethna: "There is a need for such systems in the Indian market. This venture of ours can play a major role in improving the country's telecommunications network."

The Nas introduces digital technology to the subscriber loop with an open architecture which allows new technologies and features to be added.

With its headquarters in Gandhinagar, Gujarat, TINS will have a six-member board, with Tata Telecom selecting the chairperson and AT&T the managing director.

Says AT&T Network Systems regional marketing vice-president for Asia Richard Brandt: "India is of strategic importance to us." AT&T at present has over 30,000 people overseas in 100 countries. "We have plans to get 25% of our revenues from overseas operations by 1995," he says.

That's evident, with Tata Telecom gearing up for action on the Indian front.

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Competition forces AT&T's rivals to seek merger partners.

CROSS CONNECTIONS

On 27 May Sprint, America's third-largest long-distance telephone operator, made a $2.85 billion (Rs 8,111 crore) agreed offer for Centel, a Chicago-based firm with a string of local-telephone monopolies from Florida to Texas. The shareholders of Centel were disappointed at the pricing of the deal, and at the fact that Sprint was offering shares rather than cash. Some shareholders have since filed lawsuits to force Centel's managers to tell them about other options. Sprint's share price dropped on the announcement, too, but for a more fundamental reason — the offer shows that Sprint thinks it can no longer compete successfully in the long-distance market on its own.



A VIEW OF THE AT&T PLANT: *Aggressive marketing*

The firm is probably right. This particular deal may yet fall to pieces, but Sprint will still need a partner to help it stay in the race with a fiercely competitive American Telephone & Telegraph Co (AT&T). Sprint's plight is acute, but not unique. Most of AT&T's other rivals will also be looking for partners in the next few years.

The troubles of Sprint and America's other small telephone companies started in 1989. That was when AT&T, the giant long-distance carrier created in the break-up of the Bell system in 1983, decided that its marketshare had fallen far enough for it to start throwing its weight around without fear of regulation. Famous before the break-up as a sleepy firm run more like an arm of the government than as a private enterprise, AT&T has since become an aggressive, and innovative, competitor. The firm's latest service is pre-paid telephone cards for muddled tourists. By dialling a short and simple code, the user can reach a help-line manned by operators speaking his own language.

Better marketing has been matched by better prices. Over the past three years a price war between AT&T and its two biggest competitors, MCI and Sprint, has sent call charges plummeting. All three firms have launched a plethora of special offers. But AT&T, bigger and richer than its two rivals, can promote its new prices and services far more heavily. Whereas AT&T spent $797 million on advertising in the US in 1990, making it the country's seventh-biggest advertiser, Sprint could afford only $155 million.

AT&T's new aggression has paid off handsomely. Smaller rivals have found it increasingly difficult to undercut its prices, and so to persuade more of AT&T's millions of customers to switch to them. Since 1989 Sprint has gained only one percentage point in marketshare, and the combined share of the smallest carriers, such as Alascom and Allnet, has actually fallen. Just to survive, these companies need to find cash-rich partners that can help them to reduce debts and pay for new investment.

A one-stop shop. Sprint's managers claim that a merger with Centel would provide their company with more than mere cash. Combining Sprint's long-distance service with Centel's local and mobile-telephone services, they say, should help win new customers who want to buy all their telephone services from one company. It should also enable the merged firm to cut costs by sacking surplus head office staff. But shareholders, due to vote on the deal in August, are sceptical.

Far from strengthening Sprint's long-distance business, say critics, the Centel deal looks more than a diversification beyond it. Initially, it might help Sprint's own string of local telephone businesses, which accounted for 30% of the company's $8.8 billion sales in 1991, because many of these can be merged with Centel's.

The fierce competition in the long-distance market that is forcing Sprint to search for a partner is beginning to reach the once-cosy local telephone market, too. New "alternative" local telephone companies, or Alts, are beginning to crack the historical monopolies held by the seven Baby Bells, the regional telephone firms created by the Bell break-up, and a few local "independents" such as Centel.

Worse, cable TV companies are also sniffing about. Current rules prevent cable firms from carrying telephone calls down the same lines as television, but bills making their way through congress will probably change that within a year or two.

Even if Sprint's deal with Centel does not come off, similar deals are bound to be tried over the next few years as long-distance operators search for support against the mighty AT&T. On 3 June Advanced Telecommunications, a Georgia firm with $359 million of sales, announced merger talks with LDDS, another tiny long-distance carrier.

Rather than merging with each other, America's hard-pressed telephone firms might do better to look abroad. Dozens of recently privatised national telephone companies, popping at the seams with monopoly profits, want to become "global carriers." They believe that

multinational companies will be keen to buy all their telephone services from a single, global telephone firm. Inevitably this will mean moving into the US, the world's biggest market for telephone services.

British Telecom (BT), Britain's ex-monopoly telephone operator, is among the boldest of the would-be globalisers. BT is generating £1 billion (Rs 2,846 crore) of cash a year and wants to spend it. All of Sprint's network, unlike MCI's, is strung together with fibre-optic cable; any bidder for Sprint would therefore be unaffected by the US rule that bars foreigners from buying more than 25% of telephone firms that use radiowave links in their networks. If the Centel partnership falls through, Sprint may find another suitor standing by. — *The Economist.*

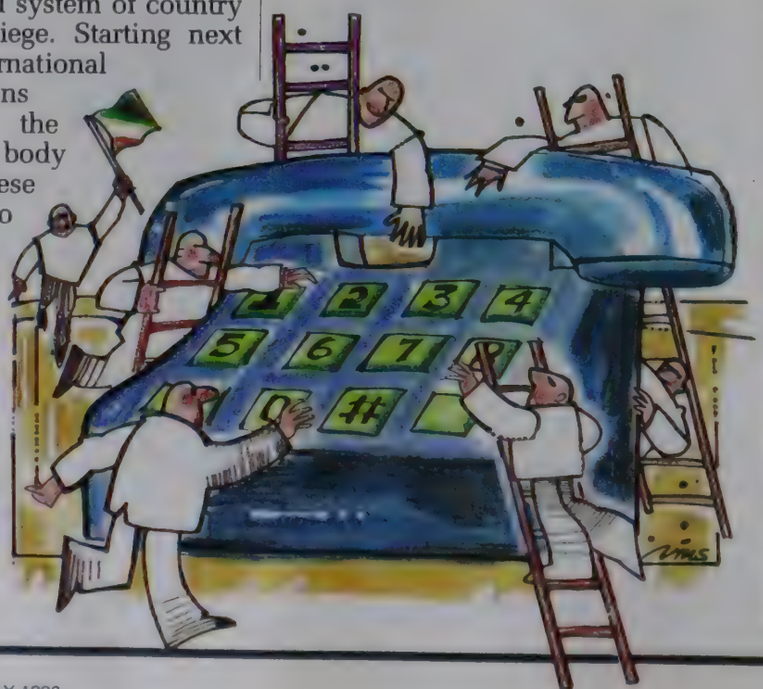
Countries battle it out for new telephone codes.

THERE'S A LOT IN A NUMBER

What makes the US number 1, Djibouti 2, Lichtenstein 3, and Japan 8? The answer is their international dialling codes. Established in the sixties, when direct overseas dialling was first introduced, today's zone-based system of country codes is under siege. Starting next year, the International Telecommunications Union (ITU), the Geneva-based body which decides these things, promises to give lots of countries unhappy with the numbers assigned to them new, and presumably more prestigious, digits. Bureaucrats and politicians care deeply about this.

Africa and southeast Asia have lots of number sequences lying free. That does not mean that countries will take any old bunch of numbers, however. The most frantic to get new numbers are the countries of the ex-Soviet Union. Lumped in with Russia under the single-number code 7, they want to become part of Europe — and that means getting a 3 or a 4 as the first digit to their national code. The former East Germany's precious 37 becomes vacant next year when the two Germanies unify telephonically on the West's 49. At the ITU the Baltic states are busy lobbying against Greenland and the Faroe Islands, which now share, none too happily, the number-2 prefix with African countries and also want to lay claim to the former East Germany's 37.

As well as reflecting the collapse of communism, the new scheme will help mark the emergence of the new Europe. The European Commission has suggested slapping a three-number prefix in front of all the European Community's (EC's) existing country codes as a symbolic unifying gesture. The EC's telephone companies squashed the idea. Instead, the community's national telephone firms have agreed to harmonise emergency numbers and the code needed to dial out of, rather than into, a country. Common numbers will be reserved for free phones and information services; this will enable firms to use them for Europe-wide marketing efforts. The Greeks will surely be relieved at the prospect of harmonised emergency numbers. At present, their country has an unharmonious dozen of them. — *The Economist.*



Airlines in America have taken off on yet another price war.

BATTLE FOR THE SKIES

America's travel agents have never been so busy. In some cities long queues have formed outside their doors, their telephone lines are jammed and the computer-reservation systems of the nation's airlines are struggling to cope with a surge in bookings. This sounds like great news for America's loss-battered airlines. It isn't. Consumers are scrambling for seats because another brutal price war has produced some irresistible bargains. The result may be that several more airlines end up in bankruptcy court.

The new price cuts started on 26 May when Northwest Airlines announced that an adult and a child travelling together would need only one ticket. Many ticket prices fail to cover the airlines' operating costs, says Kevin Murphy, an analyst at Morgan Stanley. A seven-day, advance-purchase, one-way flight between New York and Los Angeles, for example, costs $100; the three-day rail journey costs $239 (Rs 6,692).

With fares so low it is hardly surprising that airline shares slipped last week, even as Wall Street soared to record highs. More ominously for the airlines, Standard & Poor's, the credit-rating agency, downgraded the $16.5 billion of bank debt and bonds of American Airlines, Delta, USAir and Northwest on 1 June. In the past two years America's airlines have lost almost $6 billion. Thanks to the fare war, only American Airlines, reckon the analysts at Standard & Poor's, has any chance of making a profit in 1992.

Price-setter. Yet, American Airlines, which leads the industry, with 20% of the domestic market, and accounts for more than half of the debt downgraded, is most to blame for the new low fares. Northwest's cuts were tiny compared with the ones American made the next day in retaliation: half-price fares for non-business travellers on most routes and a reduction in its advance-purchase requirements from 14 to seven days.

Because American is the industry price-setter, the other big airlines felt they had to follow quickly with similar cuts of their own.

American's declared aim is to boost demand. This it has done, but not at a sensible price. More likely, though it denies it, American is trying to solve the problem posed by the industry's three bankrupt airlines — Continental, America West and TWA — which together make up 20% of



domestic capacity. Although these firms are bust, the protection offered by Chapter 11 of America's bankruptcy code means that they — like Eastern and Pan Am before them — take a long time dying.

Airlines operating in Chapter 11 enjoy big cost advantages over their solvent rivals. They can dodge the interest on most of their debt, as well as skip liabilities like pension costs and leasing bills. This can mean big savings: TWA paid interest of $287 million in 1991, equivalent to 7% of operating costs or nearly half the firm's fuel bill.

TWA, especially, has sought to exploit this advantage, positioning itself as the industry's cheapest carrier. This strategy has not been an unqualified success. TWA has had to sell routes to generate enough cash to stay afloat. But its price cutting has drained revenue from the solvent airlines. Partly as a result, the three leading airlines — American, United and Delta — have cancelled or delayed $19 billion of new aircraft orders in the past year. In April a 30% cut in TWA's business fares drew American into a price war — and business travel is the sector that airlines rely on for steady profits.

By setting fares below operating costs, American has wiped out the bankrupt firms' advantage. This may force one or more of them to shut down completely. If so, fine. Though, in the short term, passengers would miss give-away fares, in the long term only airlines that actually make money can provide a decent service.

But getting rid of firms in Chapter 11 is never easy. Analysts think that the three bankrupt airlines may survive American's latest attack, at least for a few months. The real victims may be the nation's other solvent airlines. So far, the remarkably profitable Southwest Airlines seems safe. But heavily-indebted Northwest is hurting and recently warned its employees that it will need concessions if it is to survive. The last thing the US needs is another airline in Chapter 11. — *The Economist.*

US financial firms are cashing in on demographic change.

THE RETAIL WAVE

America's forty-somethings acquired debts and children in the eighties. Now the wastrel generation is worried about having enough money to pay for a comfortable retirement and for college costs. Securities firms, banks, insurers and mutual funds are scrabbling for what could be their next El Dorado: increased personal savings.

The ageing of America offers financial firms the opportunity to ride two waves of demographic change. Though not unique to America, these waves could produce bigger breakers there, because Americans look less to the state for help with pensions or higher education than do citizens of other rich countries. The first wave is carrying the post-war bulge of baby boomers from high-spending youth into high-saving middle age. Between now and the end of the century, there will be another 10 million 40-49 year-olds and 9 million 50-59 year-olds in the US. Those numbers alone make American financial firms rub their hands.

Behind the baby boomers comes a second wave: a sharp fall in numbers entering the workforce. These are the people whose taxes will have to pay for the government pensions, welfare and medical care of today's bulging workforce. Unless tomorrow's taxes rise significantly or benefits are cut, the sums will not add up.

It is slowly dawning on Americans that they can no longer look to government or employers to bridge the gap. Washington's boxed-in policy makers have few solutions. Employers will have little spare cash. Instead individuals will be forced to rely on their own resources to provide income once they stop working.

The property bust has made Americans question the investment value of houses for the first time in years. So where else can they turn to build up a nest egg but to stockbrokers, insurance companies, banks and mutual funds? Big retail financial firms, such as Merrill Lynch, a stockbroker, and Fidelity, a mutual fund, have been quietly preparing for what they believe will be the decade of the retail investor.

These firms are now bracing themselves for the assault of rivals who have only recently latched onto the idea. Even the big Wall Street firms that have traditionally concentrated on wholesale investors, like Morgan Stanley, Goldman Sachs and Salomon, are sniffing around the retail market, especially at the high end where such firms' asset-management skills have long been valued by the wealthy. The sharpest coming battle for Americans' savings is, however, going to be fought between stockbrokers and mutual funds.

Banks too should be big players. They have a big competitive advantage in their branch network and their brandnames. Distribution and branding will be two of the main keys for unlocking the retail market. But banks are not allowed to offer as wide a range of saving products as other intermediaries; nor are they permitted to sell them so aggressively.

Last year's bank-reform bill failed to

give banks the wider powers they need. It is not likely that congress will return to this issue soon. So it is hard to see banks reversing the secular decline in their deposit base. Bank deposits and certificates of deposit have fallen to barely two-fifths of household financial assets, from over half 10 years ago. The rush out of banks has been accelerated by recent falls in interest rates.

The beneficiaries have included brokerage houses and mutual funds. Many in the industry expect congress to give them a helping hand through more tax breaks for long-term saving in stocks and bonds. They are also looking for cuts in capital gains taxes, especially on assets held for long periods. The present low level of interest rates is also conditioning Americans to turn to equities to get the sort of investment returns they have become used to.

Individuals' share of direct equity ownership has fallen from 84% in 1965 to barely 50% now. But that masks the fact that many now choose to avail themselves of the skills of professional managers. The equity assets of mutual funds have increased from $31 billion to $400 billion over the same period. Americans now have neither the time nor the inclination to manage their own investment portfolios — but they are ready to pay others to do it for them.

For both mutual fund firms and stockbrokers, success in the retail market will depend on how they package the asset-management and financial planning they offer their customers. Creating competent sales forces will be a main management challenge. Hot stock tips at the 19th hole will no longer do. Performance-pay incentives will have to be geared towards gathering assets rather than churning accounts.

Modernising rules. Right on cue, regulators in the Securities & Exchange Commission are modernising the rules for the mutual-fund business. However the rules are changed, most people expect the industry to consolidate. If the retail market explodes in the nineties, firms will have to be big to keep up with it. They must get the economies of scale from investing in computerised telephone systems and data imaging that firms like Fidelity and Twentieth Century are already using to lower costs and improve services.

Led by Merrill Lynch, Wall Street's traditional retail brokers have been "re-engineering" their operations. Merrill has ploughed more than 200 million over the past three years into a retail information-management and trade-execution system for its financial consultants that merges front and back offices. Shearson Lehman Brothers is following suit. Regional brokers will have to join in if they are to stay competitive.

The big mutual-fund companies, such as Fidelity, Dreyfus and Vanguard, are expanding their distribution networks. They want to reduce their reliance on brokerage houses, now direct competitors, to sell their products. Merrill Lynch has a bigger mutual-fund business of its own than any mutual-fund company except Fidelity. Other retail stockbrokers are building in-house funds too.



A US MIDDLE-CLASS SUBURB: *Target of financial firms*

Both the fund companies and the brokerage houses are working hard to foster their brand images. As in any other retail business, the winners in the battle for America's new savings will be those who deliver the highest service at the lowest cost. That implies a revolution in the way Wall Street has traditionally treated the small investor. But the pickings could be lush. — *The Economist.*

China is facing a power shortage.

COAL POWER

Can China build enough power stations to match its burgeoning economic growth? Ask a roomful of energy ministry officials in Peking, and the response is telling: a brief silence, followed by nervous laughter. Hongkong businessman Gordon Wu, a builder of power plants in China's booming south, is blunter: "No way."

The fact that China's energy crunch is worsening is ironic. In terms of the sheer scale of the new capacity that has been built in recent years, the country's power programme is among the most successful in the world. But the rapidity of the country's growth is leaving planners trailing. The effects are being felt not just in the south, where industrial and consumer demand is surging, but also in the industrial heartlands of central and northeastern China. Indeed, the northern provinces have fallen furthest behind on the energy curve because, unlike their southern cousins, they do not have the cash to finance a rapid expansion of power capacity.

Officials estimate that national electricity supply would have to increase by 20-30% in order to eliminate present power shortages. As it is, factories are forced to shut down for up to three days a week in many parts of the country and offices are kept unlit. Authorities in some areas have been known to ban the sale of air-conditioners for fear they may further strain the system.

The normal measure of a power shortage or surplus is "system reserve capacity," the gap between peak demand and capacity. A system reserve capacity of 15-25% is considered adequate in most countries; China's is zero.

China's power plants are running virtually non-stop. An energy ministry official says equipment-usage rates are the highest in the world, averaging more than 7,000 hours a year. The optimal rate for most coal or oil-fired generating equipment is about 4,000 hours annually.

It is not for want of trying that China finds itself in this predicament. During the 1986-90 five-year plan,

central and provincial governments built more than 50,000 mw of new capacity — an achievement that far surpassed the plan's target of 35,000 mw. This took the country's total power capacity to 1.38 lakh mw by 1990. In the current five-year plan which ends in 1995, the aim is to increase capacity to 2 lakh mw. In 1991, the first year of the plan, 13,000 mw was added — a rate of increase slightly higher than that needed to reach the target. (By way of comparison, the increase was more than one-and-a-half times the total capacity of power-hungry Hongkong.) Given this record, the government seems to have a good chance of reaching or even exceeding its goal of 2.4 lakh mw by 2000.

Even for a country that sets great store by central planning, this is an impressive result. No other country has built anywhere near this amount of new capacity in so short a time. Critics, though, say that China, like other centrally planned economies, has not paid enough attention to make pricing electricity by market principles or controlling pollution.

An ambitious programme of this kind does not come cheaply. The central government says it will spend Rmb 101 billion (Rs 51,246 crore) in 1991-95. Provincial governments and big state-owned factories are supposed to put up double that amount. foreign sources of capital — multilateral agencies and overseas governments — will play their part as well.

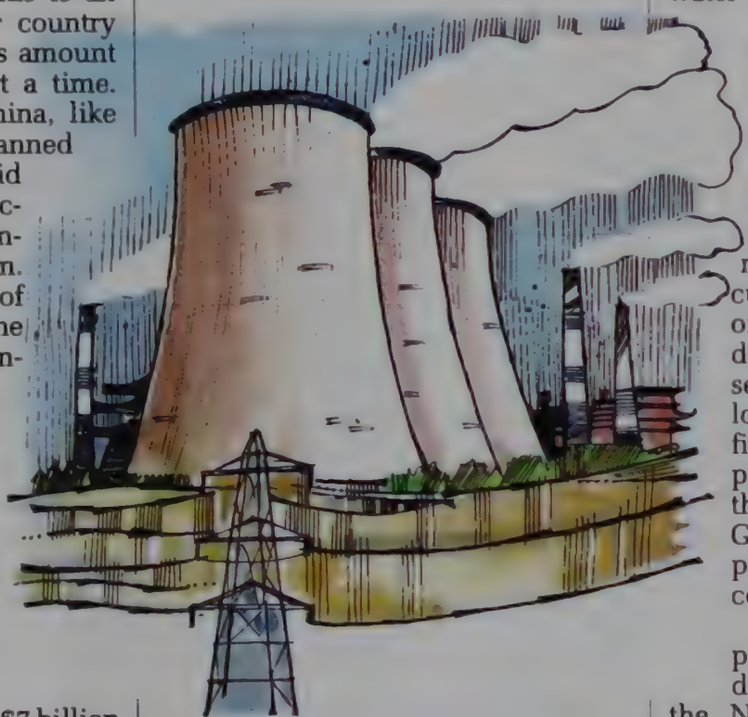
China obtained more than $7 billion (Rs 19,922 crore) in foreign funding for the power sector between 1986 and 1990. About $1 billion came from the World Bank. Japan is currently financing six power plants (four thermal and two hydroelectric) worth $1.4 billion.

In March, the National People's Congress (NPC) set a target of 6% annual economic growth until 1995. But this figure is considered to represent the view of leading conservatives in the government, who believe growth should not go higher. Based on recent years' performance, their wish is unlikely to be fulfilled.

Forecasts of energy intensity (the amount of energy needed to produce a unit of gross national product (GNP) are equally unrealistic. Energy ministry officials are assuming that the ratio of energy consumption to GNP will average 1:1 over the next eight years. Yet in 1981-92, it averaged 1.72:1. In the country's scramble to catch up with energy demand, severe transport bottlenecks have emerged.

China is rich in natural resources — it has among the world's largest coal reserves — but it is bedevilled by the unevenness of their distribution. Coal is the key, because it accounts for 70% of China's power generation.

Yet the low-sulphur coal that for environmental reasons is best suited for power generating is mainly found in a belt running across the northern provinces of Shanxi, Shaanxi and Inner Mongolia. Other provinces such as Heilongjiang, Sichuan, Shandong and Henan also produce large amounts of coal. But the types of coal they dig out are heavy polluters, producing a lot of sulphur or ash.



Chinese officials mount a stalwart defence against Western fears that the country's reliance on coal is an environmental disaster in the making. "It's unreasonable to use the same standards for us," says Wang Wenze, director of the general office in the energy ministry. "Our per capita coal consumption is so low that our responsibility towards global pollution is extremely small."

The Chinese are more concerned that inadequate rail links make it impossible to move enough coal to the southern and eastern parts of the country, where the needs are the greatest.

China is desperately trying to increase carrying capacity. One key project is the Shenmu railway, an 870 km line that will carry coal from the northernmost part of Shaanxi province to a newly constructed deep-water port at Huanghua, near Tianjin. Most of the coal is then to be transported by ship to the southeastern coastal provinces. But this is hardly a panacea. Begun in 1990, the Rmb 15 billion project will not be completed for 10 years, optimists say.

Another approach is to build power stations next to coal mines. This is a practical solution for local power needs. But most of the coal belt suffers from severe water shortages, making it difficult to build big power plants which would need vast amounts of water for cooling purposes.

Geography therefore dictates the choice of fuel for power plants. Hydropower is concentrated in the more remote southwestern provinces of Yunnan, Guangxi and Guizhou. Exploitable resources are estimated at 3.78 lakh mw, or more than double the nation's current capacity. But only 10% of this amount has so far been developed, though there are several proposals afoot. Besides local power needs that may be filled by small hydroelectric projects there are plans to link the region to fast expanding Guangdong. The latter would pay much of the development costs.

The gargantuan Three Gorges project, still highly controversial despite having been approved by the NPC, will eventually produce 17,000 mw from a series of massive dams on the upper Yangtze River in Sichuan. This an amount roughly equivalent to Taiwan's total installed capacity. But the government actually did not commit itself to anything other than more-detailed feasibility studies of the project.

The difficulties attached to conventional power production provide the chief justification for China's efforts to develop commercial nuclear plants. Even under the most optimistic scenarios, though, nuclear power will not account for more than 2-3% of output by 2000. Coal will thus continue to provide the lion's share of China's energy needs well into the next century. — *Far Eastern Economic Review.*

NEWS BRIEFS

■ The US and Taiwan have reached an accord on protecting **intellectual property rights** which includes a set of unprecedented bilateral commitments aimed at ironing out the complex problem. Under the accord, Taiwan has agreed to launch an anti-counterfeiting programme coordinating the country's legislature, judiciary and central government enforcement agencies after drawing flak from the US for its reluctance to tackle piracy and copyright issues. In return, the US has agreed to end an investigation of piracy in Taiwan that could have led to trade sanctions beginning in November.

■ In a bid to break the deadlock created by Denmark's rejection of the **Maastricht treaty** in a referendum by its people, the UK government plans to push hard for clearer devolution of the European Community's (EC's) powers to make it easier to ratify the pact.

The UK government is examining, with its EC partners, the possibility of adding a new referendum to the Maastricht treaty, putting limits on the EC's powers to intervene in issues that can be handled at the national level.

■ **Cyprus** has denied allegations that it has become a **money-laundering centre** for illicit funds transferred from Yugoslavia. Andreas Philippou, a senior official at the Central Bank of Cyprus, dismissed reports appearing in *The Washington Post* which said Serbian president Slobodan Milosevic and his associates had shifted millions of dollars recently to Cyprus, which is protected by strict banking secrecy laws.

■ A consortium led by Asea Brown Boveri (**ABB**), the Swedish-Swiss engineering group, has won a coveted **$1.8 billion order** to build an oil and gas-fired power station and the world's biggest water desalination plant in Abu Dhabi.

■ **RTZ**, the world's biggest mining group, is selling its 51.5% stake in **Rio Algom**, a large Canadian mining and metals distribution subsidiary. This is because it wants to concentrate on its core businesses.

■ **South Korea** has plans to build a $12.7 billion **international airport** which it hopes will become the air transport hub of south-east Asia. The state-of-the-art airport will be built on a tidal flat between two islands off Inchon, the western port which serves the country's main trade base with China. The airport will have the ability to handle upto 100 million passengers a year.

■ **Entergy Corp**, a large Louisiana-based electric utilities firm, is making a $2.3 billion offer to acquire Gulf States Utilities (**GSU**), a Texas-based utility, in an agreed takeover bid that could help rationalise the electricity market in the region.

■ The European Commission plans to impose provisional **anti-dumping duties** ranging from about 14% to 25% on Japanese-made aluminium electrolytic condensers. The commission says it found that dumping had helped Japanese producers boost their share of the condenser market — worth $64 million annually — from 28% to 39%.

■ Britain's department of trade and industry (DT&I) has launched a wide-ranging inquiry into the tangled affairs of Mirror Group Newspapers (**MGN**), the heart of the late Robert Maxwell's publishing empire.

Skeletons are likely to tumble out with the DT&I asked to probe into "the affairs and membership" of MGN and in particular the £245.5 million flotation of 49% of the company's shares in April 1991. The inquiry could also delay MGN's plans to sell a majority of its stake which is now held by a group of banks led by Britain's National Westminister

THE LATE ROBERT MAXWELL: *Skeletons in the cupboard*



■ **Midland Bank** has agreed to sell its subsidiary **Thomas Cook Group**, the world's oldest travel agency, to a German travel operator and bank for £200 million. The LTU group, one of Germany's largest tour operators, and Westdeutsche Landesbank (WLB) have signed an agreement to buy the UK-based travel company by October this year. LTU will take a 90% stake in Thomas Cook and WLB will take the rest.

■ Many world leaders have pledged their political backing for a global action plan to clean up the environment, at the two-day heads of state gathering which marked the end of the **Earth Summit** in Rio de Janeiro. But they are reluctant to make the heavy financial commitments which the organisers said were needed to make it work, says *Financial Times*.

The summit opened amid expectations that the industrialised countries would pledge money to aid the developing countries protect their environment, an issue which dominated the debate. But the rich countries, including the UK, Germany and Japan (the largest donor so far) have made only modest commitments, laying most of the stress on non-financial initiatives.

■ The **Spanish government**, alarmed at the rapid growth of its budget and current deficits, has cautioned that it may be forced to raise taxes on incomes just a few months after it had lowered them. Budget deficits totalled £3.6 billion, up 53% from last year's corresponding figures, by the end of April. This will be a definite setback since it had planned to streamline the economy ahead of European monetary union.

OVER TO THE STOCKMARKETS

Even as Sebi looks at the question of issuing a show cause notice to Bhupen Dalal's Cifco, the stockmarkets are passing through a worst-ever turmoil.

If evidence were needed that the banking system and the stockmarkets are inter-linked, it was amply available last fortnight when the Harshad Mehta scandal spilled over into Dalal Street. Trading on the country's premier stockmarket came to a standstill, and for the first time in the Bombay stock exchange's (BSE's) history the country's premier bourse went to court against a government ordinance. As BSE executive director M.R. Mayya confirmed: "We will approach a competent court."

Action was heating up on other fronts too. The Securities & Exchange Board of India (Sebi) is about to issue a show cause notice to broker Bhupen Dalal's Champaklal Investment & Finance Co (Cifco). If it finally does this, Cifco faces the prospect of going out of business. And sources said the government might arrest officials at foreign banks such as Standard Chartered Bank — if the banks filed charges.



THE BOMBAY STOCK EXCHANGE & MAYYA (INSET): *Trying to break the impasse*

The latest crisis on the market flows from a government ordinance vesting powers in the custodian it appointed to oversee Harshad Mehta's attached property, A. K. Menon, to cancel contracts or agreements entered into with any of the 31 accused in the securities scam. Mehta's assets were seized on 8 June. As a result, the BSE announced that shares held by the 31 individuals whose names figure in the ordinance cannot be officially traded from 22 June.

Since deals worth roughly Rs 500 crore are involved, the BSE action triggered off a payment crisis on the bourse. Predictably, BSE president G.B. Desai and Mayya winged their way to New Delhi to find a way out of the impasse.

Mayya suggested that a directive be issued stating that transactions conducted by the accused till 14 May are valid. The BSE executive director argued that since the money for these shares had already been paid to Harshad Mehta and others, they ceased to have any claim to the shares.

The finance ministry, however, didn't buy that, and BSE brokers boycotted trading. Said a broker: "Why should we suffer for someone else's crime?" Brokers complain that it is very difficult to guess which broker was working for Harshad Mehta as he used to operate through a cluster of brokers.

Not everyone agrees that such deals can't be demarcated. Sebi chairman G.V. Ramakrishna pointed out in an interview that share transactions before 8 June need not be affected by the ordinance, and that the BSE had merely to certify to a court that such deals didn't involve Mehta or any of the others accused. Rule 8.14 of the BSE rules, said Ramakrishna, provides for a form which accounts for the particulars of deals. The BSE could check these forms and issue a certificate to a court — unless, of course, the BSE hadn't been observing its own procedures.

Not surprisingly, the Bombay bourse has become inactive. Several brokers have decided to stay out of the ring till the extent of Mehta's exposure is ascertained. "I don't mind if I have to sit idle for the next couple of weeks," says a big-time Bombay broker.

Late in the fortnight Mayya said the situation hadn't gone out of control. "Trading should resume shortly," he said.

The ordinance isn't the sole issue that has sent the stockmarkets into a tizzy. The other big question is whether the BSE will suspend Bombay merchant banker and former securities dealer Bhupen Dalal and his son Milan, both of whose names have figured in the securities scam. BSE officials claim that action can't be taken against the Dalals because their BSE membership cards have been inactive for quite some time.

Sebi has been putting pressure on the BSE to act against those involved in the scam. But a BSE official accused Sebi of inaction and hypocrisy. "Sebi has been putting pressure on us to take action against him (Dalal), but they themselves have not delisted Dalal's merchant banking outfit, Cifco. Besides, whenever any person has to be suspended, we have to give some valid reasons for the suspension," he said. He added that the BSE board suspended Jittu Shroff following Sebi pressure.

But Ramakrishna confirmed that Sebi was examining whether a show cause notice could be issued to Cifco. Asked whether the BSE and Sebi were on a course of conflict, Ramakrishna replied: "There's no conflict. They've asked me for advice on what to do. There may be a difference of perspective, perhaps. My job is to protect the interests of investors. They may be also concerned with the interests of big brokers."

Referring to Mayya's and Desai's decision to appeal to Delhi, Ramakrishna also added with a ghost of a smile: "The shortest route between Dalal Street and Sebi is not via Delhi."

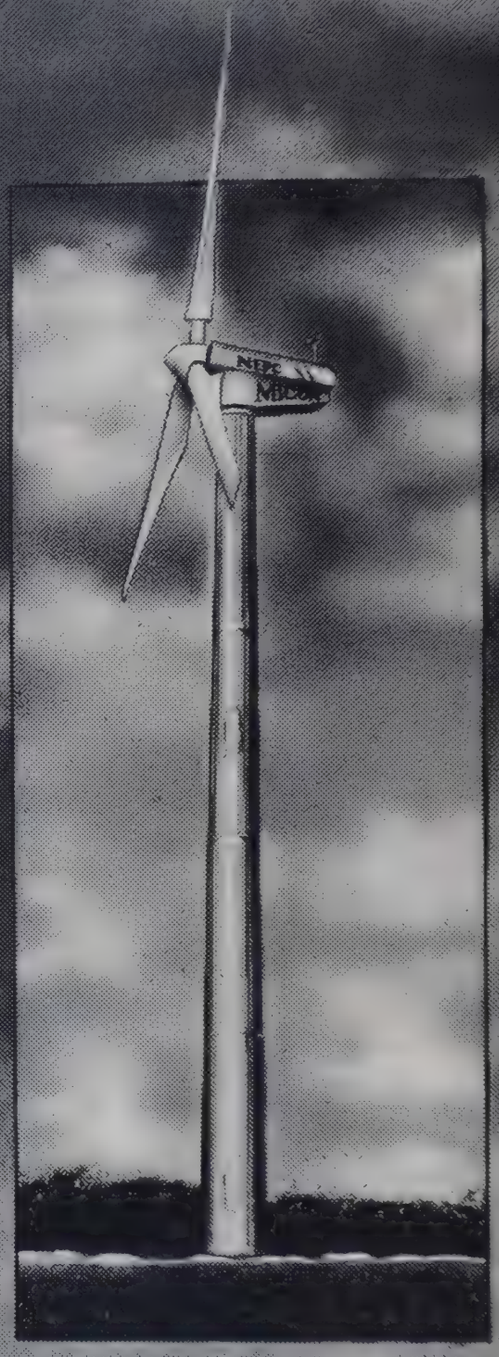
□ Roy Pinto and Jiten Mehta

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MATHY

A CAPITAL QUESTION

Can Indian banks shore up their capital in time?

Can you bank on banks? A decade or so ago, the question would have been dismissed as irrelevant. But as the stain of the Harshad Mehta scandal spreads, the old metaphors of the solid bank and the conservative banker seem completely outdated. One bank is already in liquidation. Others have been asked by the Reserve Bank of India to provide for hundreds of crores of losses. So serious has the situation become that a particularly cruel joke is doing the rounds of Bombay's financial circles — the ad copy of banks that survive will go along these lines: "You can bank on us. Our chairman is not in jail."

To be sure, Indian banks have been bleeding financially for years. Decades of politically-motivated mislending — the loan melas, to cite one example — have ensured that banks have sunk deeper into trouble.

The good news is that the Reserve Bank of India is finally doing something about all this. In its credit policy announced in mid-April, the central bank set a very tight timeframe for Indian banks to meet the so-called Basle ratios. These norms for prudential lending were established by a committee headed by a Bank of England economist, Peter Cooke, to ensure that international banks did not stumble into yet another crisis (see box). The Basle ratios specify capital adequacy norms for banks. Quite simply, these norms allow banks to lend only in proportion to their capital base. The riskier the lending, the greater the capital backing required. The target for international banks: an 8% capital to risk-weighted assets ratio by 1992.

Tight timeframe. In his statement, RBI governor R. Venkitaramanan made it very clear that all banks would have to reach the capital adequacy target of 8% of risk-weighted assets in a phased manner. Indian banks with an international presence have to achieve the target by March 1994 while other banks have to reach a 4% figure by March 1993 and 8% by March 1996.

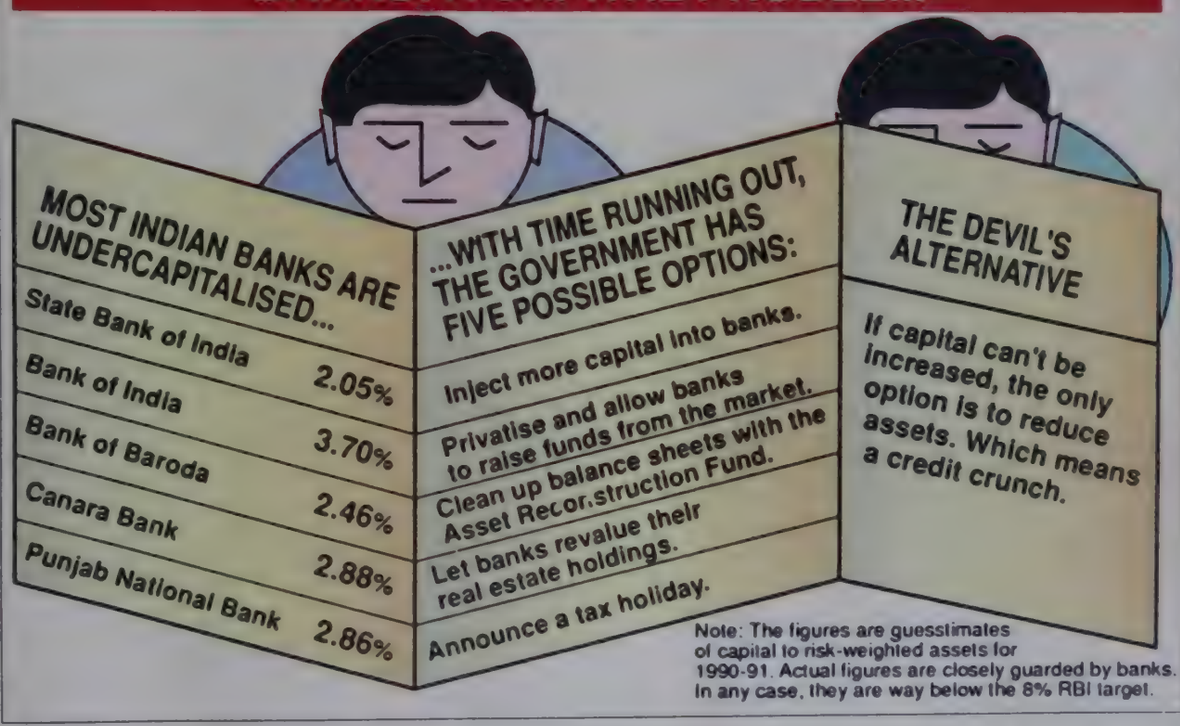
Currently, all Indian banks are woefully short of that target. A study by Bombay-based economist Amita Shankar shows that as on March 1990, not a single major Indian bank was even near a 4% capital figure. There is nothing to suggest that much has changed since then. (Even before the Basle ratios gained acceptance, the RBI was using its own internal yardstick of owned funds to total deposits, excluding interbank deposits. This ratio plummetted from a level of around 10% in the late sixties to around 6% and then 2.5% in the later decades.)

There are, however, exceptions to this rule. The Industrial Credit and Investment Corp of India (ICICI) has just finished its own capital adequacy study, possibly the first of its kind in India. The conclusion arrived at should warm the hearts of the ICICI brass. The financial institution's ratio of capital to risk-weighted assets is said to be close to 10%.

The central bank has made it very clear that only those banks which have attained the prescribed capital adequacy norms will have the freedom to set up new branches. All others will have to line up at the RBI's doors to get their expansion plans vetted. "The credit policy announcement shows how serious the RBI is about strengthening the financial system and making it safer for depositors. There is no doubt that companies with adequate capital on their balance-sheets should be allowed to grow," notes ICICI joint managing director N.J. Jhaveri.

The RBI's tough stance has very serious implications for the public sector banks. With unprofitable social

BANKS: A CAPITAL PROBLEM



Note: The figures are guesstimates of capital to risk-weighted assets for 1990-91. Actual figures are closely guarded by banks. In any case, they are way below the 8% RBI target.

lending already playing havoc with their balance-sheets, they will have to move quickly into more profitable directions. Without adequate capital, they are bound to face insurmountable obstacles. Meanwhile, new entrants in the field — institutions like ICICI and private players like 20th Century or Tata Finance — will be unencumbered by such capital problems. They may very well get an unbeatable head start in the race to hit the fast track in Indian finance.

Initially, Indian banks tended to underplay the importance of the Basle ratios. According to former Bank of India chairman R. Srinivasan, the argument put forward was that Indian banks are fully owned by the government and hence riskless. All that depositors were supposed to be exposed to was a minimal sovereign risk. (It is ironic that using similar arguments about sovereign risk, the Bank of England has insisted that Indian banks operating in that country will have to meet a 16% capital adequacy norm.)



SRINIVASAN: *Tax holiday needed*

Despite being slow off the starting blocks, the giant public sector banks do have some options to rectify their capital adequacy positions. Among them:

■ **The government's helping hand.** This is possibly the most straightforward option. As the owner of the major banks, the government can pump in more equity to strengthen bank balance sheets. (Actually, the State Bank of India is technically a publicly-owned bank with the RBI controlling most of the shares. But for all practical purposes, it is a government bank.)

This has been happening of late. For example, in 1989-90, the government pumped in Rs 700 crore into the banking sector. Unfortunately, it demanded its pound of flesh. The beneficiary banks were forced to reinvest in non-SLR (non-statutory liquidity ratio) securities. A similar amount was put up at the end of the last financial year. But a few months before this, finance minister Manmohan Singh had categorically stated that the treasury could no longer support banks in this

COOKE'S RECIPE

The eighties will go down in financial history as the era of excesses. As international banks went on feverish lending sprees, their balance-sheets went awry. When the party ended, banks were left nursing serious hangovers — bad Third World debts, real estate mis-investments and the like.

If banks have come to their senses, the first sobering splash of cold water came from the Basle ratios. These ratios, which stipulate how much capital banks must have against assets of varying risks, have today emerged as the main checks on future financial imprudence.

The Basle ratios, which, according to *The Economist*, are mistakenly called the BIS ratios because its authors took tea and advice from the Basle-based Bank of International Settlements, are the brain-child of a Bank of England economist, Peter Cooke. In collaboration with colleagues from 11 other central banks, Cooke presented the concept of capital adequacy — banks should have adequate capital on their balance-sheets as a cushion against unexpected losses.

Asset mix. This depends on the riskiness of the bank's asset mix. The riskier the advance, the greater the need for a capital back-up. For example, cash has been given a zero risk weight and hence need not be backed by capital; loans fully secured by mortgages carry a 50% risk weight, while claims on the private sector are considered 100% risky. Cooke's committee stipulated that the ideal capital adequacy norm should be 8% of risk-weighted assets. This means that $8 of capital will be needed to back up every $100 of advances.

But where is this capital going to come from? At least half of the requirement will come from tier-1 capital: equity or near-equity. That is simple enough. It is the other part, the so-called tier-2 capital, that has been the source of much controversy. This includes elements like riskier "subordinated" debt, provisions against unexpected loan losses, unpublished reserves, revaluation reserves and so on. According to Bandi Ram Prasad, a senior economist with the Indian Banks' Association, the constituents of tier-2 capital reflect the bargaining powers of the major economies. For example, the importance given to various hybrid debt instruments is a reflection of the power of the US banks whose balance-sheets are well stocked with such instruments. Similarly the Japanese banks, who have large equity holdings in industrial companies, have been extended the sop of including 45% of unrealised share gains as part of tier-2 capital.

But these continue to be minor blips. Despite the ambiguity about tier-2 capital, there is little doubt that financial profligacy can no longer be allowed to go unchecked. Till such time as a better benchmark for prudence is established, capital adequacy will remain a capital idea.

way. So even the current injection of capital is being interpreted by bankers as more of a fire-fighting measure rather than a long-term option.

■ **Privatisation**. If banks are allowed to tap Dalal Street for funds, private investors can be roped in to shore up capital reserves. One major hitch: with bank balance sheets shrouded in secrecy, very few investors will be ready to put their money into Indian banks. After all, who would want to invest in the likes of Uco Bank?

To rectify matters, it is learnt that banks will be slightly more transparent about their operations in their new annual reports. At the same time, the RBI is seriously considering the possibility of developing a credit-risk model for banks. If both these happen, at least the stronger banks will be in a position to tap the wallets of the lay investor.

■ **The Asset Reconstruction Fund**. Originally suggested by the Narasimham committee, the fund is expected to buy off the bad debts of banks at a discount and help clean up balance-sheets. Though no precise figures are available, unofficial estimates put the extent of bad loans at anywhere between 11% and 15% of total advances. That, by any standards, is massive.



JHAVERI: *First off the block*

Though selling loan assets at a discount will initially force banks to take in a loss and eat into other loss provisions, there is little doubt that the ARF will put bank operations on a sounder footing. According to Bandi Ram Prasad, a senior economist at the Indian Banks' Association, some US banks which were struggling to meet capital adequacy norms floated "bad loan" subsidiaries that would buy off the bad advances of the parent banks. In a similar way, the ARF is expecteed to do the job for the Indian banking sector as a whole. If it takes off, that is. "The ARF is a fine idea. But do we have the political will to make it operational?" asks Srinivasan rhetorically.

■ **Revaluation**. Many important holdings of banks, especially real estate, are valued at historical cost. That means they are grossly undervalued. Revaluing all such fixed assets can do wonders for propping up tier-2 capital figures. Though ICICI has valued its premises at historical costs, most banks cannot afford to do so. "Revaluation is a viable strategy. But what if the RBI insists that all assets should be revalued at market prices? For example, the prices of government securities which banks hold have depreciated heavily over the years. So there are dangers if the revaluation business is taken to its logical end," argues a senior bank economist.

■ **Tax holiday**. "I have been arguing for a tax holiday for banks till capital adequacy norms are met," says Srinivasan. The tax savings that the banks make can be re-routed into balance-sheets as fresh capital. The argument is simple. Rather than having the government collect its tax pickings with one hand and then putting them back with the other hand as equity, the less circuitous route of a tax holiday is preferable.

So public sector banks clearly have options — all of which call for help from the government. Without the government's lifeline, the capital adequacy targets will remain a distant dream. Still, even after getting help from the government, banks will be forced to restructure their asset mix. That will create its own problems.

Currently, the high reserve ratios have skewed the asset mix of the banks towards a low risk level. For example, cash, which accounts for 15% of bank assets in India, requires no capital backing. But with cuts in the reserve ratios being anticipated, bank funds will have to be diverted to more risky areas. The result: greater capital needs. The other way out is fudging. "The Basle norms give a whole range of assets, such as claims on public sector organisations and on multilateral development banks, risks based on national discretion. They can be given risk weights of either 0%, 10%, 20% or 50%. My own suspicion is that they will be rated 0%," argues the bank economist.

If that happens, it will amount to a short-term approach. More realistic risk weights must be given. Strategic Consultants director Deepak Raja in fact argues that an element of dynamism should be introduced in credit risk models for banks. This makes sense in a world where risk perceptions are known to fluctuate drastically. The implication of this is simple: greater chances of unexpected losses exist, and hence more capital will be required.

So, while the RBI has decided on a very tight timeframe for meeting capital adequacy targets, banks may find the going getting tough. First of all, the public sector banks, with huge non-performing assets, can go forward only with the help of the government. Not a single option can be chosen without its help. Besides, any major restructuring of the asset mix, a necessary condition for profitable banking, will mean more capital. To raise that, the first set of problems will have to be faced again. The last alternative of course, is a straightforward cut in the level of bank assets. This means a credit crunch. That is the devil's alternative — a no-win situation.

In short, the going is not going to be easy. But the giant banks have no other viable option. In the emerging super-competitive world of finance, capital will be a key variable. Unfortunately, the public sector banks do not seem to be adequately prepared for it. Quite clearly, they have to break the Basle barrier — quickly.

□ Niranjan Rajadhyaksha

BRIEFS

■ Proposals for the entry of new **foreign banks** into India and the expansion programmes of existing ones will be reviewed in the wake of the multi-crore securities scandal, according to the Reserve Bank of India (RBI) governor R. Venkitaramanan.

■ The State Bank of India (**SBI**) has paid the National Housing Bank a sum of Rs 707 crore as directed by the RBI. According to SBI managing director V. Mahadevan, the bank will attempt to recover this amount from the assets of Harshad Mehta.

■ **Commercial banks** will immediately segregate securities investment decision-making, custodianship and maintaining securities records. This is one of the recommendations made by the Janakiraman committee.

■ The securities scandal notwithstanding, India will resume **overseas commercial borrowings** this year. Says finance secretary K.P. Geethakrishnan: "The scandal was an aberration. Our financial system remains stable and sound and I think we will be off the credit watch of leading credit-rating companies by July."

■ The **RBI committee** to recommend an alternative specialised system of booking transactions in public-sector bonds and units of mutual funds has been asked to submit its report by end-July. The eight-member committee, headed by Industrial Development Bank of India (IDBI) chairman S.S. Nadkarni, will also try to evolve efficient methods of accounting and transfers for public-sector bonds and units.

■ The RBI has issued a directive to commercial banks, urging them to step up **export credit** where the ratio of such credit to total bank credit is below the industry average.

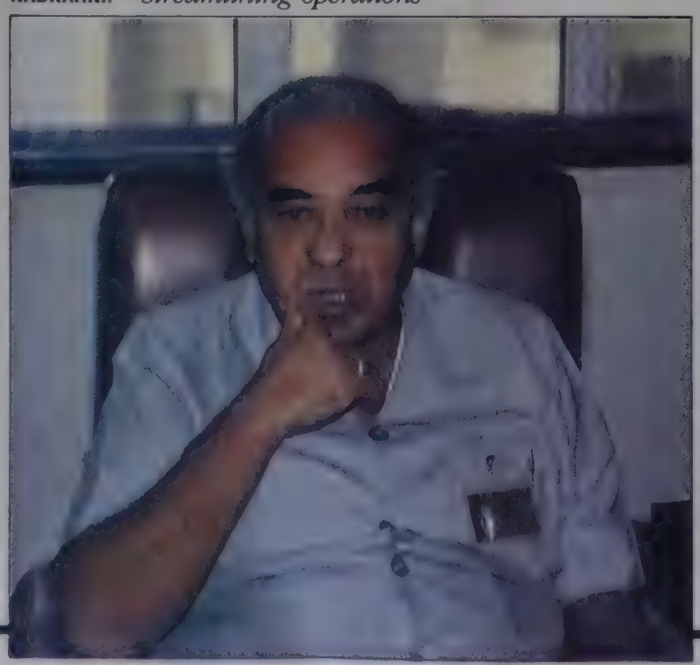
■ **Germany** has agreed to fund some of India's financial-sector reforms to enable it to overcome the balance of payments crisis during the current year. It has also agreed to provide assistance to the proposed National Renewal Fund.

■ The Japanese finance ministry has decided to permit India to place **yen bonds** in the market. The Japanese government will modify rules pertaining to foreigners' public placement of yen bonds in the Tokyo market.

■ The Deposit Credit & Guarantee Corp (**DCGC**) has agreed to release the necessary funds required to pay the two lakh depositors of the Bank of Karad. According to the bank's official liquidator S.N. Lele, a maximum of Rs 30,000 will be paid to each depositor by the corporation.

■ The **Bombay stock exchange** has shortlisted five US companies — Hewlett Packard, Digital Equipment Corp, Tandem Corp, NCR and Unisys Corp — for the supply of a central trading computer or mainframe for the third phase of its computerisation programme. The companies have been asked to send sealed tenders for the equipment, estimated to cost Rs 30 crore.

NADKARNI: *Streamlining operations*



■ **Foreign institutional investment and securities companies** keen on entering the Indian capital market have expressed their apprehensions on the artificial increase in share prices, according to *The Observer of Business & Politics*. These companies said the Bombay stock exchange sensitive index should stabilise at a lower level at a meeting held with Indian officials at Hongkong recently.

■ The **World Bank** has warned India that any delay in reducing the budget deficit or in implementing structural reforms will erode the credibility of its economic readjustment programme. The bank, in its report before the recent annual gathering of western donor countries, said that a rapid reduction in inflation and strong export growth are "critical" to the short-term prospects of the programme.

■ **Development finance institutions** have decided to further relax the convertibility options stipulation in term-loan agreements of private-sector companies. A joint institutional meeting of officials from the IDBI, Industrial Credit & Investment Corp of India (ICICI) and the Industrial Finance Corp of India (IFCI) agreed to waive the convertibility option even in respect of assistance granted for funding cost overruns of projects.

■ The **finance ministry** has refused permission to key sectors such as railways, power, communications and petroleum to approach the stock-market for the time being because of the securities scandal. These sectors are relying heavily on market borrowings for raising extra budgetary resources in the current year to fund their key programmes.

■ The **SBI** has decided to set up a separate and full-fledged branch for its securities operations. According to a report in *The Economic Times*, the bank is attempting to separate the securities transactions from the general banking operation.

■ The RBI has formulated a **new deposit scheme** for non-resident Indians (**NRIs**) — the Non-resident (non-repatriable) Rupee Deposit Scheme. Under this scheme, accounts in Indian rupees can be opened with authorised dealers by remitting funds in freely convertible foreign exchange from abroad or by transferring funds from existing non-resident (external)/FCNR deposits to invest in this scheme.

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MANAGER (EXPORTS)

Location: Bangalore

TVS-Suzuki. A tough, professional company with a turnover of Rs. 175 crores and a healthy growth rate. Actively engaged in the export of mopeds and motorcycles across the globe - spanning 15 countries in four continents. With annual volumes having trebled over the last 2 years, Exports has rapidly become a major thrust area. And, to augment this, we're on the lookout for a dynamic professional.

The Job

You will primarily be responsible for the development of select export markets for two wheelers, apart from co-ordinating other export related activities. This will involve formulating and planning activities that will meet export sales targets; establish a brand identity in specific markets; develop dealership networks and set up an effective MIS. You're expected to be well versed in export practices and procedures as you have to liaise with shippers and bankers as well as monitor all documentation and despatch.

The Person

You should be a graduate, preferably with post graduate qualification in Management/Export Management/Foreign Trade, with about 7-10 years of relevant experience in consumer marketing. You should have travelled abroad and have adequate experience in developing new markets. You should be around 40 years.

The position is challenging and offers excellent scope for growth. Emoluments will compare with the best in the industry and will not be a constraint for the right person.

Please apply within 15 days, with complete resume and recent passport size photograph, to:

The General Manager (Personnel)
TVS-Suzuki Limited
Post Box No.4
Harita
Hosur 635 109

DY. GENERAL MANAGER R & D

Near Bombay **Attractive Salary + Car + Perks**

We have been retained to select a Deputy General Manager - Research & Development for a high-tech multi-product professionally managed chemical & engineering company with several foreign collaborations and joint ventures.

The Company has a strong R & D centre to support its technology thrust and maintain the premium it places on quality. The centre is fully equipped with sophisticated instruments and has excellent pilot plant facility.

We are looking for a top-notch industrial researcher with a strong flair for applied research, a down-to-earth approach in translating research into commercial production and the will and keenness to ensure that research results in new products and processes with commercial value.

This is a key position requiring innovative inputs for development, acquisition, absorption and transfer of technology. The candidate should have a doctorate in Chemical Technology or Chemical Engineering or Polymer Science with 12-15 years industrial research experience in polymers, water and waste water treatment & process equipment. He should have a track record of achievements and should have led a team of qualified scientists to research project completion.

This is a senior position and carries attractive compensation package including company car, HRA/housing, LTA, medical and retirement benefits.

If you feel you can successfully handle this challenging assignment, please write in confidence within 10 days with full details, salary drawn and expected to:

M.V. BADAMI
BADAMI ASSOCIATES
Management Consultants
P.O. Box: 9842, Bandra, Bombay 400 050.

PRESSMAN

LUPIN

Lupin is known nationally & internationally as a professionally managed Company engaged in the areas of hi-tech bulk drugs, pharmaceuticals, agrochemicals and related products. The Company enjoys total trust from its local & international buyers, who also admire its phenomenal growth.

For efficient and timely execution of the ambitious growth plans of its International Division, the Company requires following dynamic, adventurous professionals at **Bombay:**

SENIOR MANAGER – EXPORTS

Rs.2 LACS P.A. + CAR

The incumbent will be responsible for exports of bulk drugs / formulations / chemicals to various geographical zones. He should be an MBA / postgraduate from IIFT with over 8 years experience in marketing / international trade with large organisations / export houses. Age: Around 35-40 years.

EXECUTIVE – EXPORTS

ATTRACTIVE SALARY

This position calls for young, ambitious performers, willing to accept challenges and would work beyond set responsibilities. They will provide total assistance in all export related activities and ensure smooth functioning of this division.

Candidates should be engineering / science / pharmacy graduates, preferably with an MBA or diploma from IIFT and 1-2 years experience in a reputed export house. Fresh postgraduates / rank holders will be considered for the post of Trainees.

The job provides high degree of international exposure and tremendous growth potential for achievers. The salary package and benefits are designed to attract the best available talent in the industry.

Apply in total confidence, with complete details, within 10 days to:

General Manager (HRD)
Lupin Laboratories Limited
159 CST Road, Kalina, Santacruz (E), Bombay 400 098.

Management Consultants

Consultant Profile

- ★ Graduate Engineer with P.G. Qualification in Management.
- ★ Work experience of 2/3 years.
- ★ Excellent communication skills and hard-working.

AMCON offers

- ★ Multi industry - multi location exposure.
- ★ Opportunities to work with Board to shop floor personnel.
- ★ Multi functional assignments including
  - – Manufacturing with strong industrial engineering focus
  - – Projects including market studies and escort services
  - – Training in industrial management
  - – Organisation and Systems
- ★ Attractive salary

Location

- ★ State capitals and major cities all over India.

If you are truly committed and have a strong desire to make a career in Management Consultancy and willing to travel, please apply within 10 days or call in person.

amcon

Apex Management Consulting Group Private Limited
C-1, Rams Square, No.2, Village Road, MADRAS 600 034. (Tel: 474348.)

ABC's major specialisations include Corporate Consultancy

Managerial Appraisal • Manpower Audit & Planning

SWOT Analysis • Organisational Restructuring • MIS

CHIEF EXECUTIVE
Medical Disposable Unit

MADRAS **EXCELLENT TERMS**

We have been retained by a prominent Business House to select Chief Executive for their **100% EOU** Located at Madras Export Processing Zone. Presently, the Company is engaged in the manufacture of Latex Gloves and has plans to diversify into the manufacture of other medical disposable products such as Cotton Bandages, Surgical Cottons, Cotton Swabs etc. in collaboration with leading foreign manufacturers.

We are looking for an outstanding **Profit Centre Head** with a proven track record and excellent **techno-commercial** acumen. The incumbent will be expected to manage the existing operations, besides planning and implementation of their diversification and expansion programmes. He must possess leadership qualities, ability to develop managerial skills and have a proven record of working in similar positions.

The person, in the age group of 40-45 years with techno-commercial background, and a **Graduate Engineer, CA or MBA** and having managed a medium size plant independently would be the Ideal candidate.

Compensation will match the best prevailing standards in the industry and will include top management perquisites. Please write in strict confidence to **A.K. Matta, Senior Manager,** within 10 days giving detailed biodata mentioning job title and code: CE/DEL/1530.

ABC CONSULTANTS PRIVATE LIMITED
209, Meghdoot, 94 Nehru Place, New Delhi-110 019.

Salary Survey • Strategic Planning • Business Negotiations • Takeovers

"ROLL YOUR SLEEVES UP !"

We Require Professionals To Feed In Data.



Not Feed Themselves.

Our clients, an Indian Pharmaceutical Company with a 100 crore turnover specializing in the manufacturing of bulk drugs require hard-core professionals.

The sort of people they require are for the EDP Department at the level of **PROGRAMMERS** and **SYSTEM EXECUTIVES.**

The above two positions report to the Senior Manager EDP and involves design & development in the areas of Financial accounting, PPC and Materials Management in a Unix environment using COBOL, SYBASE or FOXPRO.

We offer a very attractive compensation for the person. Hard work & efficiency is very well rewarded. Experience & Qualification counts and can be an added asset.

So, get your resumés sent quickly & join hands with the path breakers.

Please apply in confidence to :

SOFTSEARCH
A div. of Personnel Search Services,
45, Bajaj Bhavan,
Nariman Point,
Bombay - 400 021.
Tel : 2022885 / 2046528 / 2027207.

Clamar

IMPORTS PROFESSIONALS

Our client is one of the most upwardly mobile Business Group with a substantial presence in diverse industries including some of the large projects in the core sector industries. Export-Import has been identified as a key thrust area and targeted growth plans have been chalked out with a view to acquiring a position of pre-eminence in the industry. The Group is financially very sound, enjoys an excellent reputation and is known for its pragmatism.

The Group will be exporting a range of products. Plans for imports include polymer-based raw materials, food stuff, steel scrap, dry fruits and any other items. We are seeking **Import Trading Specialists** in any of the aforesaid items with at least 5 years relevant experience. They will independently manage Imports functions of their products as individual profit centres.

EXCELLENT TERMS INCLUDING PROFIT SHARING IS ENVISAGED.

The position could be based at DELHI, MADRAS, BANGALORE, BOMBAY OR CALCUTTA, where our client have their establishments.

Please write in strict confidence soonest citing Code NKM/A-1013 to:

DATAMATICS STAFFING SERVICES
Post Box No. 106 G.P.O. Bombay 400 001.

Diason

Our Client is a leading professionally-managed, multidivisional company, with a turnover of Rs. 150 crores, with diverse interests in steel, engineering, leather and exports. The Company is on a steady path of growth with plans for modernisation, integration and expansion, and requires qualified professionals for key positions in the finance function.

DEPUTY GENERAL MANAGER (Finance) — Hyderabad

He would be responsible for key financial activities of the company like funds mobilisation through capital issues and institutional sources and effective utilisation of funds, tax planning, complete financial accounting to meet statutory, operational and management control needs. The position reports to the Vice President (Finance) and is expected to be redesignated as General Manager within a short period.

Candidates should be MBAs/CAs with around 15 years' relevant experience. Preferred age around 40 years.

MANAGER (Treasury & Taxation) — Hyderabad

He would be responsible for funds management and taxation aspects, including compliance with statutory requirements and effective liaison with financial institutions/Banks and statutory bodies including Sales tax, Income tax and Excise authorities.

Candidates should be MBAs/CAs around 35 years of age and with 10 years' relevant experience in reputed organisation.

MANAGER/ASST MANAGERS/OFFICERS (Accounts) — Hyderabad/Madras

To handle financial accounts aspects in totality and at sectional levels such as cash/bank transactions, payables/receivables control, payroll etc. Finance professionals -MBAs/CAs/CWAs with 3-10 years' experience may apply.

Remuneration would be comparable with the best in the industry. Please send your structured bio-data with telephone contact and a photograph through courier/speed post to:

amcon

Apex Management Consulting Group Private Limited
C-1, Rams Square, No.2, Village Road, MADRAS 600 034.

MANAGEMENT TRAINEES

We are the manufacturers of USHA brand sewing machines, fans, fuel injection equipment, electrical stampings etc. having plants at Calcutta, Hyderabad and Agra, and Corporate Headquarters at Delhi.

To meet our growing requirements, we plan to appoint "Management Trainees" for the following functional areas :

- **Finance/Accounts/Taxation**
- **Administration/Legal**
- **Marketing**
- **Materials Management**
- **Production/Maintenance**

The Management Trainee will be provided on-the-job training for one year, and be promoted for "responsibility based training", as "Officer on Special Duty" (OSD) in the second year. Subsequently, they will be placed in the management cadre and assigned management responsibility in the concerned functional areas.

Applicants should be CA/MBA/Engineering graduates with consistently high academic/curricular records. They are expected to be self-propelling and possessing excellent communication skills.

The starting emoluments are over Rs. 50,000/- p.a. in the first year.

Please apply giving the first/second preference of the "management function", and a 250 words resume on "My Career Objectives", within 10 days with complete bio-data in an envelope marked P-92/14 to : The Jay Engineering Works Ltd., Post Box No. 692, New Delhi-110 001.

JAY ENGINEERING

SANPAOLO HAMBRO NICCO FINANCE LIMITED

INVITES OUTSTANDING EXECUTIVE TO JOIN AS

CHIEF OF THE COMPANY

The Company is promoted by NICCO Group – a leading industrial house of India and backed by Istituto Bancario San Paolo Di Torino, the largest commercial bank of Italy, and Hambros Bank of U. K., a London based renowned Merchant Banker.

Its Head Quarter is at Calcutta and it has branch offices at Delhi, Bombay and Madras. It has maintained consistently a very high rate of return since its inception.

It undertakes Merchant Banking, Loan Syndication including Foreign Line of Credit, Trade Finance, Leasing & H.P., Inter Corporate Loans, Portfolio Advice, Share & F.D., Registration and Correspondent Banking.

The Candidate should possess advanced professional qualifications and should have about ten years diversified experience in Banks or Financial Institutions and /or Finance Companies providing similar services preferably with a Multinational Bank with demonstrated achievements. In addition to professional competence, the candidate must possess leadership qualities to inspire and lead other professionals, mobilise significant quantum of resources and design innovative financial products for profitable deployment. Candidates should be in their late thirties or early forties.

In selection, determination of position and remuneration package more emphasis will be given on the depth of exposure, ability of operating independently in a competitive environment and ability of identifying and creating financial and investment opportunity base.

The company provides excellent work-environment and growth opportunity.

Please reply or telephone in strict confidence within 15 days to :

Mr. Rajive Kaul/Dr. Abhijit Sen
Nicco Corporation Ltd.,
Nicco House, 2 Hare Street, Calcutta 700 001
Phone : 033-285220/033-202005.

Foseco

GREAVES FOSECO LIMITED, a joint venture between Foseco p.l.c. UK, and Greaves Cotton & Co. Ltd, manufacturing speciality chemicals for foundries and steelmills, require result-oriented professionals for the following position :

PRODUCT ENGINEER/ MANAGER

CALCUTTA

The candidate should be a B. Tech or M. Tech in Metallurgy or Ceramic Technology, with 3–5 years experience in the areas of production/ marketing/quality assurance of a steel plant or refractory industry or allied industries. The incumbent will assume overall responsibilities for profitable growth of specific product lines, and should possess a high degree of analytical skill and a technical bent of mind. The job involves the entire gamut of product development work including laboratory investigations, field testing campaigns, new product management, costing and pricing, imparting product knowledge to the field sales force, etc.

The candidates must possess effective interpersonal skills and excellent communication abilities, and should be willing to undertake extensive travel throughout India.

Preferred age group : 25 - 30 years.

Salaries are attractive and prospects excellent for high performers.

Applications furnishing complete bio-data should be forwarded within 15 days to :

The Divisional Manager-Marketing
Greaves Foseco Limited
P-47, Taratalla Road
Calcutta 700 088

VOLTAS

For Air-conditioning & Refrigeration Business Group

MANAGEMENT TRAINEES

(REF: ACR/MT)

Job Profile: On-the-job training in design, sales, systems engineering, project execution, manufacturing and service in the field of Air-conditioning & Refrigeration.

Person: Fresh, first-class graduates in Mechanical/Electrical engineering preferably with an elective in Air-conditioning and Refrigeration, or Post-graduates in Air-conditioning and Refrigeration from reputed engineering colleges with good academic records.

Those appearing for final examinations may also apply.

Position: Graduate engineers will join as Management Trainees on a fixed stipend for a period of one year. They will be absorbed in the regular management grades on successful completion of training.

Management Trainees will have to furnish an undertaking to complete one year's training and two years of post-training employment.

Post-graduates will be absorbed in the regular management cadres.

Candidates who have appeared for our tests/ interviews in the past need not apply again.

Please apply within 10 days giving semester-wise marks and with position reference clearly superscribed on the envelope to:

The Manpower Development Manager
VOLTAS LIMITED
Post Box No. 172, Ballard Estate
Bombay 400 038

SOFTWARE PROJECT MANAGERS MARKETING EXECUTIVES

Can you develop and market solutions for India's top 100 companies?

TCS' Manufacturing Industries Group offers turnkey solutions to the Process and Engineering industries through Integrated Management Information Systems. It has successfully developed and implemented software projects for prestigious clients in India and abroad. At TCS, over 2,800 professionals are engaged in work that's truly path-breaking, finding innovative and practical solutions to complex organisational problems. TCS is on the look-out for bright and dynamic professionals interested in problem solving.

SOFTWARE PROJECT MANAGERS

TCS needs top flight Project Managers for leading a team of software professionals on consultancy assignments. Candidate should be a graduate or post-graduate in engineering with a minimum of 7 years' experience in systems analysis and design and exposure to RDBMS. He should possess excellent communication skills and should have headed various software projects. Openings exist at TCS offices all over India.

MARKETING EXECUTIVES

TCS requires Marketing Executives to be based all over India. They will be responsible for selling software solutions to diverse industries. Openings exist at two levels:

1. Candidate should be a graduate in engineering or an MBA. He should have at least 7 years' experience in software design and development and marketing of software projects, preferably in a manufacturing or consultancy environment.

2. Candidate should be a graduate in engineering or an MBA. He should have a flair for marketing and a minimum of 3 years' experience in software design and development.

Driven by ambition? TCS is the place for you. Send in your resumé quoting 'SPM-92' for Software Project Managers and 'ME-92' for Marketing Executives, within 10 days, to:

The Resident Manager –
Tata Consultancy Services, Nicco House, 2nd Floor,
2, Hare Street, Calcutta 700 001.
Tel: 209415/280744

TCS
TATA CONSULTANCY SERVICES

Chaitra-B TCS 503/92

VOLTAS

ABSORPTION/CENTRIFUGAL REFRIGERATION SYSTEMS

(REF: ACBG/A-CRS)

The Air-conditioning & Refrigeration Business Group is the forerunner of the AC&R industry for the past five decades. The Business Group is expanding and has acquired state-of-the-art technologies in the sphere of Absorption and Centrifugal systems.

We require qualified Engineers with specialised knowledge of these fields, who would be part of the team for absorbing technology from our foreign collaborators, in areas of marketing, designing, erection or maintenance of the systems.

We are also looking for persons with suitable manufacturing experience for our works.

Suitable candidates would be placed at different levels of Management, depending on experience. Training would be given as required, in our existing set-ups and with our collaborators abroad.

Job responsibilities will be challenging. Remuneration will not be a constraint for the right candidates.

Please apply within 10 days with the reference superscribed on the envelope to:

The Manpower Development Manager

VOLTAS LIMITED
Post Box No. 172
Ballard Estate
Bombay 400 038

TATA TIMKEN

Tata Timken Limited is a Joint Venture between Tata Steel and The Timken Company, U. S. A. for the manufacture of Tapered Roller Bearings at Jamshedpur.

Position :

1. Manager Training : To formulate, supervise and participate in the training programmes for the Manufacturing Department and liaise with various agencies for training support.

2. Systems Professionals : Will be responsible for undertaking systems analysis, design & development for various functional areas in an integrated environment. Exposure to Oracle, 'C' and UNIX is a must. Familiarity to CASE Tool and SSAD techniques is preferred.

Requirement

1. 1st Class Graduate in Mechanical Engineering with min. 4 years experience in middle management position in the Training Department of Automative/Bearing/Allied Precision Engineering Industry. Excellent presentation skills essential. Proficiency in Computers preferred.
2. Graduate in Engineering/MCA with 3-5 years experience in independent development of systems.

Age : below 35 years for both positions

Compensation : Would not be a limiting factor.

Please forward your resume within 10 days with the position superscribed on the envelope.

Assistant Director (P&A)
Tata Timken Limited
P.O. Agrico, Jamshedpur 831 009

Candidates applying from any of the TATA Concerns must send their applications through proper channel.

We have been retained by **Al Amal Industries Co. (SAOG)** who are part of one of the **largest business groups** operating in the **Sultanate of Oman.** They manufacture and market personal hygiene products including baby diapers in which they are acknowledged brand leaders. To spearhead their growth the company is looking for a dynamic professional to assume responsibility as :

GENERAL MANAGER

MUSCAT

The incumbent would have to look after the entire operation and management of the company & report to the Board of Directors. This involves absorbing state-of-the-art technology, responding effectively to demands of the market place and developing and implementing strategic growth plans.

The ideal candidate would be an Engineer aged around 40, with Management qualification, exposure to manufacturing operations and currently managing an independent profit center. Exposure in the marketing function or in the manufacture of Personal Hygiene Products would be a distinct advantage.

The company offers an attractive tax free salary, free fully furnished family accommodation, a company maintained car, annual passage for the family, medicals, gratuity and other end of term benefits.

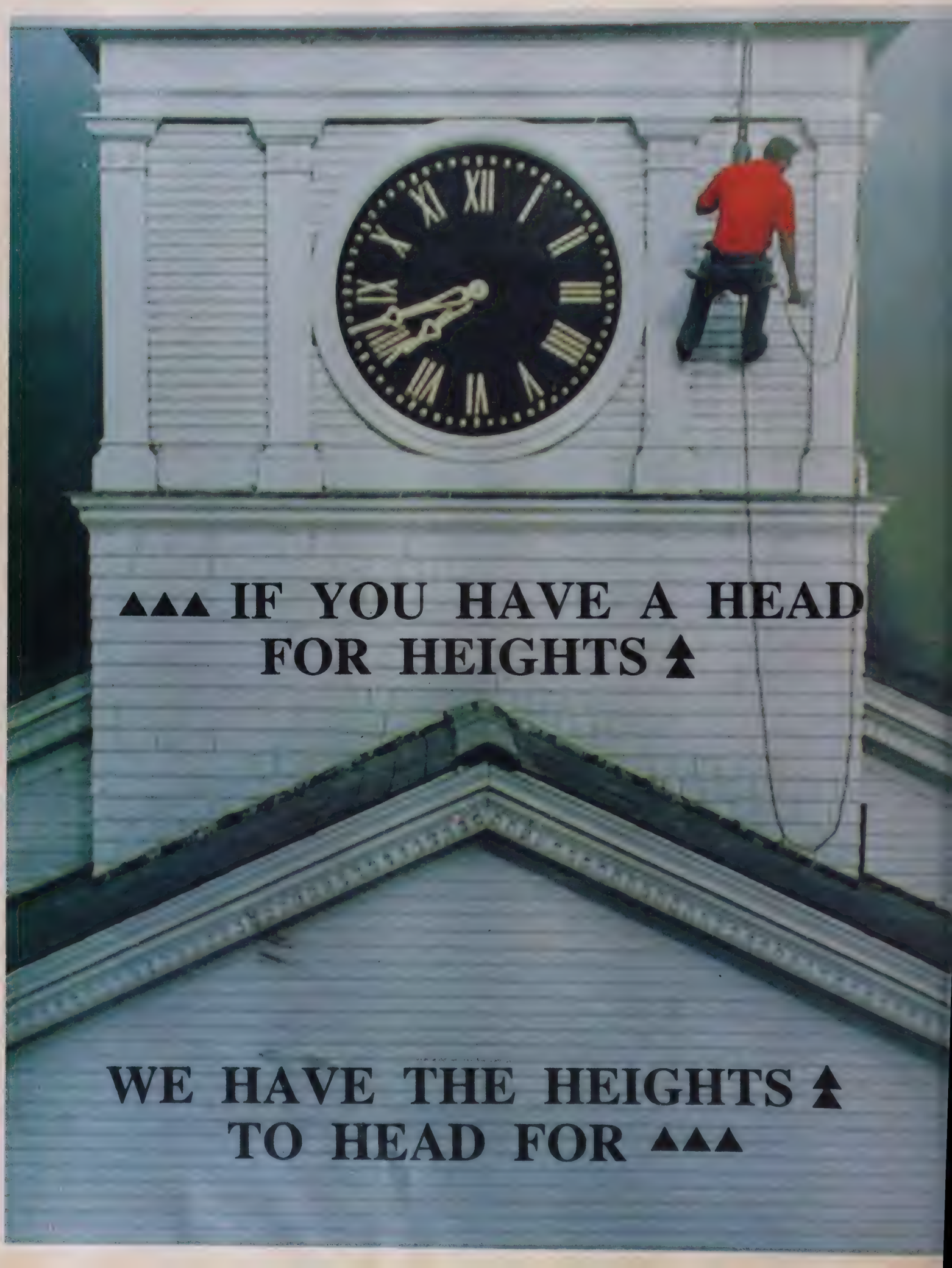
You are invited to send in your detailed resume with a photograph and contact telephone number, within two weeks superscribing the envelope with the post applied for, to :

PERSONNEL SEARCH SERVICES

71-A Mittal Chambers, Nariman Point,

Bombay 400 021. Tel: 287 4164, 202 7859.

Clamar


▲▲▲ IF YOU HAVE A HEAD
FOR HEIGHTS ▲
WE HAVE THE HEIGHTS ▲
TO HEAD FOR ▲▲▲

APPOINTMENTS

At Gujarat Heavy Chemicals Ltd. (GHCL) a head for heights is a must because the only way we know how to go is – up!

But that's not surprising considering our pedigree.

Whether it is the Rs. 300 crore soda-ash plant we have built at Veraval, Gujarat – one of the most modern any where in the world. Or the technical expertise imbibed from M/s AKZO Zout Chemie of Netherlands and Klockner A.G. of Germany – renowned names in the world of heavy chemicals; or the world class quality of our products – the reason why we are India's number 1 exporter of soda-ash. Or especially the fact that we are building an exceptional cadre of professionals to propel the company to its intended industry status at home and abroad.

To complete the management frame work we are looking for a select group of competently hard-headed professionals to manage a range of critical assignments in commercial, corporate and technical functions.

GHCL is a premier growth company in the Rs. 1000 crore highly diversified Dalmia Group. It is entirely managed by technocrat professionals and offers by far the best in class rewards to achievement driven individuals.

The work environment is collaborative and consultative yet competitive. We foster teamwork and shared values yet fuel individual initiative and aspirations.

So if in terms of assignments and achievement you do have a head for heights – come and talk to us.

And we will explain why at GHCL the bottom line on careers is all about reaching the top.

ASSIGNMENTS – COMMERCIAL/CORPORATE FUNCTIONS

ASSIGNMENT REFERENCE NUMBER	FUNCTION	ACADEMICS	RELEVANT EXPERIENCE
C1	FINANCE	C.A. or M.B.A. (Finance)	Budgets/systems/cost control in a process manufacturing environment.
C2	PURCHASE	Engineering graduate specialisation in materials management desirable	Procurement of utilities, process chemical inputs, plant and maintenance spares for a sophisticated heavy chemical/fertiliser/ petrochemical plant.
C3	INVENTORY	Engineering or post graduate with specialisation in O.R.	Management of stores/inventory in a large plant using O.R. based inventory management techniques.
C4	DISTRIBUTION	Engineering or MBA or Commerce Graduate	Distribution and logistics management of heavy traffic finished products.
C5	HRD	Engineering or MBA with HRD & Personnel specialisation	Entire range of related areas in an organisation with sound HRD practices and values.
C6	TRAINING & DEVELOPMENT	Engineering or MBA with specialisation in personnel/ISTD Diploma	Training and development of workmen and executives with the personal ability to manage training seasons and programmes.

Experience (Time Frame) : 3-15 Years

Position – The position and designation will be dependent on the depth ot expertise and the breadth of experience.

Location – Veraval – **A.R.N** : C1, C2, C3, C4, C5, C6
Ahemedabad – **A.R.N** : C1, C2
Delhi – **A.R.N** : C1, C5, C6

ASSIGNMENTS – TECHNICAL FUNCTIONS

ASSIGNMENT REFERENCE NUMBER	FUNCTION	ACADEMICS	RELEVANT EXPERIENCE
T1	PRODUCTION	Chemical/Electronics/ Instrumentation/ Engineering graduates	Managing critical process parameters in a sophisticated heavy chemical fertiliser/ petrochemical plant.
T2	MAINTENANCE	Mechanical/Electrical Instrumentation Engineering Graduates	Managing plant and equipment maintenance in a sophisticated heavy chemical/fertiliser/petro chemical manufacturing complex
T3	QUALITY CONTROL	Chemical/Electronics/ Instrumentation Engineering Graduates	In Area of Quality using T.Q.M.
T4	WATER RESOURCES MANAGEMENT	Degree in Civil/Public Health Engineering	Operation and conservation of waterlines and prospecting for water reserves.
T5	SALT & LIMESTONE MINING	Degree in Mining Engineering	Managing the mining of soft minerals

Experience – 3-15 years

Position – The position and designation will be dependent on the depth of expertise and the breadth of experience.

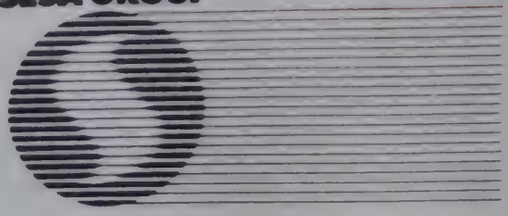
Location – All assignments are based at Veraval.

Call or mail your structured resume with in fifteen day's superscribing the assignment reference number **(A.R.N.)** on the envelope to:

Ashok Bhattacharya
GHCL
20 Community Centre, New Friends' Colony
New Delhi 110 065
Tel: 683-6064

PRESSMAN

SESA GROUP



SESA GOA LIMITED

Sesa Goa is an Indian Company with 40% equity participation by ILVA SpA who are part of the public enterprise IRI (Istituto per la Ricotruzione Italiana.) The Company has been engaged mainly in the mining of iron ore and exports over Rs. 150 crores of ore to hard currency areas. It has diversified into Shipbuilding and has successfully commissioned a Pig Iron Plant which manufactures Low Phosphorus foundry grade pig iron. A subsidiary company Sesa Seat Information Systems Ltd. is engaged in the area of Information Technology.

Encouraged by the success so far and the recent changes in Government's new Trade and Industrial policies, the Company has an ambitious plan for further growth and diversification for which it wishes to recruit the following Managers.

1. General Manager – Corporate Development

The candidate should be around 40-45 years of age, well qualified in Metallurgical/ Mechanical Engineering with extensive experience of blast furnace operations. Exposure to senior management level atleast for 5 years is desirable. A person with leadership qualities and administrative background will be an added qualification.

2. Deputy Manager – Maintenance

He should have a degree/diploma in Engineering and minimum 10 years relevant experience in steel industry. He should be around 35 years of age.

3. Shift Superintendent

Candidate should have a degree/diploma in Metallurgy with 4-6 years experience in Blast Furnace Operations. Persons having no formal qualifications but having exposure to blast furnace working for 8-10 years in the supervisory capacity may also apply. Preferred age is 30-35 years.

Above positions will be located at Goa and the remuneration package is designed to attract a high calibre of talent.

Applications giving full details should reach within 10 days of this advertisement to:

General Manager – Personnel

Sesa Goa Limited, Altinho, Panjim, Goa.



han Seck Fun has ken over as general anager (India) of ingapore Airlines.



R.K. Sukhdevsinhji has been appointed chairman & managing director of Bharat Petroleum.



M. Karnani has been appointed vice-president (operations) of Larsen & Toubro.



N.P. Patel has been elected vice-chairman of the National Agricultural Cooperative Marketing Federation of India.



V. Sanjeevi has been ppointed vice-president f The Nagri Mills.



V.R. Shah has taken over as vice-president (legal & secretarial) of The Arvind Mills.



A.W. Qureshi has been promoted as general manager (spinning, denim) of The Arvind Mills.



K.J. Parekh has been promoted as vice-president of Arvind Polycot.



L. Kapur has joined he board of Lok Housing & Constructions s director.



R.S. Hugar has been appointed general manager & chief vigilance officer of Union Bank of India.



K.S. Gowda has been elected vice-chairman of the National Agricultural Cooperative Marketing Federation of India.



R.P. Bhow has been promoted as general manager (weaving) of The Arvind Mills.

LIFESTYLE

HOMEWARD BOUND ON FLIGHT 311

Some top executives live in Bombay all week, and fly home to Pune for the weekend.

As the ageing Avro shakes and rattles at the edge of the runway, Venkat Gandikota stretches as far as the limited leg-space will allow and allows himself a sigh of contentment. "I've been doing this for nearly seven years," he muses aloud, "but the excitement of going home hasn't diminished at all."

It's 7 pm on Friday, and Vayudoot's Bombay-Pune Flight 311 is ready for takeoff. The chief executive of the metal treatment firm Pyrene Rai is on his way home from work. Gandikota spent the previous four days as he always does — toiling 12 hours a day at his Worli headquarters. He spent three nights at a north Bombay hotel and another at a friend's flat. Now, he's looking forward to an extended weekend at home, a posh apartment in Pune's upmarket Koregaon Park area.

Gandikota isn't the only one on the aircraft who divides his week between the two cities. Nearly half his fellow-passengers lead similar lifestyles. As the the giant metropolis becomes less habitable with each passing year, more and more senior executives, businessmen and self-employed professionals are moving their homes to the more accommodating hill city.

Thousands of Puneites commute to Bombay every day, by train and bus. But most of these are blue-collar workers and petty traders, who can't afford to live in India's commercial capital. The passengers on Flight 311, on the other hand, are not bound to their unusual lifestyle by financial considerations. They are prepared to fork out Rs 1,200 a week on air tickets and, in most cases, a great deal more on hotel rooms and restaurant meals — in addition to house rent in Pune. But they are not prepared to make Bombay home.

And it's easy to see why — the city is too big, too crowded, too polluted. Mukesh Kalmadi, joint managing director of the Sai Service group (the Maruti dealers) and a Flight 311 regular, has invested a small fortune on an apartment at Worli Seaface. That's not very far from his Bombay office where he spends on an average three days a week. But although the city contributes more to his company's revenues than Pune, Kalmadi (whose brother is the high-flying politician Suresh) has no plans of moving into the flat with his family. Reason: "The quality of life in Bombay is abysmal. And it's only getting worse."

In contrast, Pune seems like paradise: cheap housing, good schools, reasonably-priced club facilities, wide open spaces, lush greenery, rolling hills, not to mention the salubrious weather. Small wonder that R.S. Nataraj, vice-president of Navin Chemical Enterprises, a division of Mafatlal Industries, refuses to even consider leaving his home on Parvati Hill. "I would have to be mad to give up this luxury for the hustle-bustle and grime of Bombay," he says. For nine straight years, the sexagenarian technocrat has spent four weekdays in Bombay, making a second home of his company's Nariman Point guest house. And that's the way he intends to keep things. "We have fallen in love with Pune, and are very comfortable with our lifestyle," he says.

When Gandikota first joined Pyrene Rai, his family did try to live "the Bombay life." A year later, they decided that they'd had enough. "It was a horrible experience. My kids spent three hours a day travelling to and from school. I left home early and inevitably came back late. And my

MUKESH KALMADI, JOINT MANAGING DIRECTOR OF THE SAI SERVICE GROUP, HAS BOUGHT AN APARTMENT AT WORLI SEAFACE, NOT VERY FAR FROM HIS BOMBAY OFFICE. BUT KALMADI HAS NO PLANS OF MOVING INTO THE FLAT WITH HIS FAMILY. REASON: "THE QUALITY OF LIFE IN BOMBAY IS ABYSMAL."

PYRENE RAI CEO VENKAT GANDIKOTA LIVES IN BOMBAY FOR MOST PART OF THE WORK-WEEK. SAYS HIS WIFE BONASHREE: "WE SPEND VERY FEW MOMENTS TOGETHER AS A FAMILY — THE CHILDREN DEFINITELY FEEL THE LOSS." VENKAT MAINTAINS THAT HIS FAMILY ENJOYS A BETTER LIFESTYLE IN PUNE THAN THEY COULD HAVE IN BOMBAY.







ARUN KHANNA, RANBAXY'S WESTERN REGION SALES CHIEF, TAKES ON EXTRA WORK AT THE OFFICE TO COMBAT HOMESICKNESS. "IN BOMBAY, I WORK HARDER THAN MY COLLEAGUES. I EVEN TAKE SOME WORK HOME. WHEN THAT'S DONE, I PLAN FOR THE NEXT DAY. IF YOU KEEP YOURSELF BUSY, YOU DON'T FEEL LONELY," HE SAYS.



NAVIN CHEMICAL ENTERPRISES VICE-PRESIDENT R.S. NATARAJ SPENDS FOUR DAYS A WEEK IN BOMBAY, MAKING A SECOND HOME OF HIS COMPANY'S NARIMAN POINT GUEST HOUSE. AND THAT'S THE WAY HE INTENDS TO KEEP THINGS. "WE HAVE FALLEN IN LOVE WITH PUNE, AND ARE VERY COMFORTABLE WITH OUR LIFESTYLE," HE SAYS.

wife suffered most of all." Today, Gandikota says he wouldn't trade his Pune home for a penthouse flat on Napean Sea Road.

The flip side. But the two-city lifestyle (if it can be so termed) isn't exactly a bed of roses. Gandikota, Kalmadi and Nataraj may enjoy their weekends more than most Bombaytes; but, on the flip side, they live out of their suitcases for most part of the work-week, away from their families. It's a lonely, often frustrating experience. Admits Kalmadi: "I miss the kids, the sounds of home." Adds Himanshu B. Bapat, an allergy specialist: "The evenings are terrible. You work all day, then go back to an empty hotel room and feel depressed."

Bapat should know. Through most of last year, the doctor held weekly three-day "clinics" at Mahim, camping at a hotel in Dadar, a Bombay suburb. "After the first few months, I began to realise that I was missing too much of the family life. My practice was flourishing, but the tradeoff didn't justify itself." Bapat now commutes to Bombay every Tuesday, Thursday and Saturday. "The physical strain is much greater," he says, "but at least I'm home with my family every evening." Adds his wife, Vaishali: "He's much more at peace with himself now."

Few grown men like to admit that they feel homesick. Many learn to cope with loneliness, usually by taking on extra burden at the office. Says Arun Khanna, Ranbaxy's western region sales chief: "After a point, you get used to the lifestyle. When I'm in Bombay (Monday to Friday), I can work harder, with fewer distractions than my colleagues. I even take some work home. When that's done, I plan for the next day. If you keep yourself busy, you don't feel lonely." Agrees Gandikota: "Since I work four days a week, I have to cram a lot into each day. I enjoy my job, so my involvement is total. There's no time for homesickness."

But this lifestyle can — and often does — take its toll on families. Children, in particular, tend to feel father's absence most. Says Saroj Kalmadi: "The kids miss (Mukesh) terribly. They wonder why he has to go away so often." Adds Bonashree Gandikota, a gynaecologist: "Because of Venkat's long absences, there are very few moments that we spend together as a family — and the children definitely feel the loss." Says Bapat: "Children expect their father to be present on occasions like birthdays and school functions. If you can't make it, you let them down. And they tend to remember these things for a long time."

For their part, the fathers try their best to make up for the time lost. Says Ranbaxy's Khanna: "I make it a point to reserve my Sundays exclusively for my kids. We go on outings, picnics, movies. We spend as much quality time together as possible." But as Vaishali Bapat points out: "Children need quantity as well as quality." Psychologists say children react differently to their fathers' absence, depending on the individual child's mental makeup and the strength of the child-father bond. Some children easily adapt to the situation, others suffer deep mental wounds. Trouble is, not all of those who do suffer express themselves openly. This makes it difficult for parents to take corrective action.

Of course, growing up in Pune has plenty of plus points, too. As Gandikota points out: "My kids don't have to travel long distances to reach school. When they come home, they have enough time, energy and space to go out and play. They live in healthier, safer surroundings than most Bombay children. I don't feel guilty about spending a lot of time away from home because I believe I'm giving my family a better lifestyle than they would have had in a bigger city."

That's a sentiment virtually all of Flight 311's regulars would heartily endorse.

□ Aparisim Ghosh in Pune

PERSONALITY

FROM RAGS TO WRAPPINGS

Ashok Chaturvedi has risen from obscurity to dominate the flexible packaging business. What makes him tick? Work, work and still more work.

By 6 am, he is already on the phone, calling managers around the country. Next, he calls clients, seeking new orders or checking for complaints about his product. A few hours later, he is off to his plant at the New Okhla Industrial Development Area (Noida) in his favourite beige Mercedes, Isuzu or Peugeot, with an obligatory Pan Parag tucked into his pocket. Even when he's in his Mercedes, the telephone is never far from reach; more often than not, discussions with customers and managers continue on his mobile telephone.

Meet Ashok Chaturvedi, chairman of Delhi-based Flex Industries, passionate foreign car buff, ambitious entrepreneur — and the man who tried to take over safety match company Wimco.

Ashok who? That question would have been valid over a year ago. But his audacious bid for Wimco hit the headlines, putting his name on the front pages of the financial press. What also kept his name alive in the media was the fact that the Wimco deal came unstuck.

In more limited circles, the 35-year-old Chaturvedi is also well known for other reasons — he's virtually king of the packaging business. His Rs 100-crore conglomerate — the country's leading flexible packaging manufacturers — has a marketshare of about 20%. But rivals in the packaging industry say that he has a virtual stranglehold on the business, often insisting that the Flex group doesn't accept orders without an advance of Rs 1 crore.

HE COULDN'T STRIKE THE WIMCO DEAL; BUT, IN PACKAGING, HE'S MATCHLESS.



Such stories may, of course, be apocryphal, but Chaturvedi has certainly come a long way and unquestionably heads the packaging industry pack. "We have come a long way and are leaders in flexible packaging in the country today," he concedes.

Recalling his beginnings, Chaturvedi says: "I belonged to a service class family in Kanpur — and was the youngest in the family when my father retired. I knew that his entire savings would be wiped out in getting my three sisters married. So I decided to get into a business in which I required no money."

He started off in 1977 as an agent for cardboard manufacturers Roll Containers, working for a commission. The job involved booking orders on behalf of the company the commission amounting to 2% o the order's value.

That gave Chaturvedi both cash an first-hand experience of the packagin industry. Determined to set up some thing of his own, he made an unsuc cessful attempt in 1980 to set up small packaging-cum-printing uni But the Uttar Pradesh Financial Cor turned down his request for a loa because he was unable to round u enough collateral.

Undeterred, three years later he ap plied again — and got the loan. Ex plains Chaturvedi: "In those years worked very aggressively and harde to earn more commission. And at las I had enough security to set up a com pany."

Thus was Flex Laminates born o the outskirts of Delhi, in a 210 s metre shed, with only a curtai separating Chaturvedi's office fro machines assembled by a company i Delhi. He was in such a hurry to se up shop that he agreed to the nam Flex, when the registrar of com panies informed him that his reques to register the name Flexibl Laminators could not be entertaine because another company sporte the label.

His first big business opportunit came in the shape of Kanpur-base Ashok Grihudyog Kendra. The or ganisation wanted to pack spices, an Chaturvedi suggested an 8 gm flexibl pouch for the purpose. "My first year' turnover was Rs 40 lakh. After that, never looked back."

A large clientele. Today, an array major corporations is among h clients, including Brooke Bond, Ta Tea, Duncans, Goodricke and the Ka pur-based Kotharis who make Pa Parag, the pan masala.

What explains his succes Thousands of entrepreneurs go in business every year, but few surviv let alone flourish and leapfrog into t Rs 100-crore league. Chaturvedi's su

ess is perhaps due to his ability to iscover new niche markets, the hefty nvestments he's made in the latest nachinery and his locational ad-antage. Flex was one of the first lexible packaging units in the north; he majority is concentrated in and round Maharashtra. At a time when nost units were battling it out for a hare of the pharmaceutical packaging usiness, Chaturvedi introduced mall pouches for products like pan nasala, spices and shampoos, all of which had been traditionally packed n tin cans, paper cartons or plastic ottles. Flex sensed a huge market waiting to be tapped in semi-urban nd rural areas where products could e hawked in small unit sizes rather han large packs. Says Chaturvedi: 'India is a poor country. And people uy in small units. That is the new narket."

Pan Parag had been packed in large ins, but became an overnight success when Flex packaged the pan masala n pouches. And Velvette shampoo, manufactured by a small business in Madras, became a household name fter it began to be sold in small achets packaged by Flex.

Flex has also invested heavily in ew machinery. Last year the com-any sunk Rs 15 lakh into this, nearly fifth of its total turnover. A com-etitor points out: "Flex has main-ained its competitive edge by nvesting in the best machines avail-able, machines which others don't ave."

Not everyone attributes his success o all these factors. Business rivals ac-use Chaturvedi of being a front for he Kotharis of Pan Parag fame. Many nsist that Kothari has a large stake in nost of his companies. Says a com-etitor: "It's virtually a sister concern. A major percentage of Flex's turnover comes from the Kotharis. Without hem, Flex cannot survive." Chatur-edi dismisses these allegations but cknowledges that 12% of Flex's turn-ver comes from Pan Parag. Says he: 'The Kotharis are good customers. We ave grown together. But they have ot supported us."

There's also little doubt that Chaturvedi's failure to bag Wimco has arred his track record. Chaturvedi lames the Reserve Bank of India RBI) which, he says, didn't provide he foreign exchange to buy the foreign equity. "We asked for foreign exchange for Rs 10 per share. The RBI granted Rs 1. No seller would accept that. So the deal is off."



CHATURVEDI'S SPEECH IS PUNCTUATED BY EXPANSIVE GESTICULATIONS.

That deal may be off, but Chaturvedi's hands-on approach is not. Like several first generation businessmen, Chaturvedi is quite comfortable working on the shopfloor, repairing machinery that breaks down. As a result, he knows most of his employees on a first-name basis. And he encourages employees to walk into his office to present their problems.

At a personal level, he does ensure that he takes the odd moment off to enjoy the good life. His chief passion, aside from his business: foreign cars. At any given time, a collection of imported cars can be found around his south Delhi home. He also can be found, bat in hand, on the cricket field or playing badminton.

Among friends, Chaturvedi's well-stocked bar is famed for its wines and liquor. And he's a hospitable host who's quick to invite acquaintances to partake of a meal at his home. Indeed, he frequently throws parties at home for close friends like film star Raj Babbar.

Yet, Chaturvedi is the traditional north Indian: exotic foods are not for him; food cooked over a slow fire is. On the rare occasion when he has the time, he takes his wife and two children out for a spin in his Mercedes — and they invariably end up sampling chole bhature or channa.

A workaholic. For all this, Chaturvedi remains the quintessential first generation businessman who puts in long hours everyday. "Since I am a first generation entrepreneur I have to work hard," he says mildly. A workaholic, his day starts at 8 am and ends at 11 pm.

Spurred by ambition and his failure to clinch the Wimco deal, Chaturvedi is embarking on an expansion drive. Capacity is being doubled, to meet the growing demand for pouches. And backward integration is in the offing. Flex will soon produce metallised polyester — the key ingredient for pouch manufacture — purely for in-house consumption, at a cost of Rs 50 crore.

But Chaturvedi's ambitions are no longer limited to the packaging industry. The group recently floated Flex Foods, a mushrooms export-oriented unit, and forays into processing vegetables and mangoes, and speciality chemicals are planned.

What of the future? Is Chaturvedi a mega tycoon in the making? He seems to think so. "In five years' time we will have a turnover close to Rs 400 crore," he says. Clearly, Chaturvedi is not going to wrap it all up and rest on his hard-earned fortune for years to come.

□ Surajeet Das Gupta

WIMBLEDON RENDEZVOUS

The capital's tennis buffs can now taste the flavour of Wimbledon — at only a fraction of the cost of a Centre Court pass. Rendezvous, the 24-hour coffee shop at Delhi's Holiday Inn Crowne Plaza, is serving up a special food festival to coincide with the tournament.

To bring the atmosphere of the British Lawn Tennis Association's famous courts to the coffee shop, its walls will be decorated with thermocole rackets and balls. The special menu comprises a selection of eight dishes, each sporting a tennis-related name. Check out 'Top Seed' (prawns cooked in creamy white wine sauce and served with rice, at Rs 160 a serving) and 'Supreme Ace' (soft chicken breast in red wine sauce, Rs 105 a stroke).

Vegetarians may try 'The Green Advantage' (stuffed green peppers, Rs 50) or 'Match Point' (tomato lasagna stuffed with pimentos, Rs 50).

Between sets, try your luck in the special quiz contest; answer the seven questions printed on your place mat. The first six brain teasers will be changed everyday, but the seventh remains the same: who will win the men's and women's singles titles? We're not sure what you get if you have all the right answers. Would a date with Monica Seles be asking for too much?

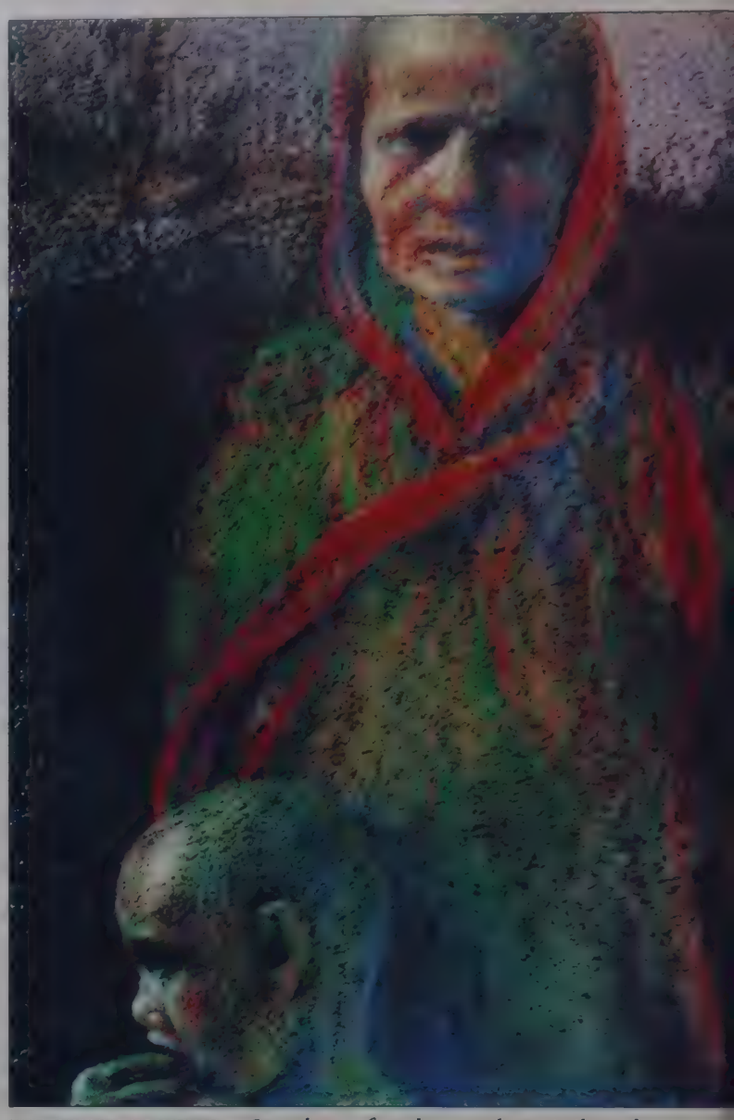
AN OLYMPIAN SPREAD

Bombayites will have to wait a little longer before they can join in the fun and (Olympic) games. From 23 July to 9 August, Shamiana, the coffee shop of the Taj Mahal Hotel, will toss up a sporting food festival of its own. This one, if you haven't guessed already, will draw inspiration from the Barcelona Olympiad.

The special menu for the festival will boast the best of Spanish cooking. The highlights: Barcelona Paella, a hearty dish that includes chicken, a variety of seafood, pimentos, vegetables, black olives and saffron; 'Aouita Express,' paprika-flavoured roasted whole chicken served with stewed prunes on a mound of rice; 'Powell's Power,' tender roast lamb with mustard sauce on a bed of leek and potato grain; and 'Bubka's Leap,' mushrooms in creamy sauce served on crisp potato pancakes.

And while you tuck away an olympian meal, you can watch the real games on strategically placed screens inside the restaurant.





THE BIKASH PAINTING: *Speaking for the underprivileged*

ART AND ENVIRONMENT

Bikash Bhattacharjee's gone international — with a little help from P.V. Narasimha Rao. No kidding; at the recent Earth Summit in Rio, the prime minister presented serigraphs of a Bhattacharjee work to the heads of the delegations from every participating country.

The Bengali painter was roped into the project by the Bombay-based studio State of the Art, which, in turn, was commissioned by the Centre for Environment & Education (CEE), Ahmedabad. The centre put together India's official paper for the UNCED conference.

The serigraphs, featuring an undernourished mother and child, carried this caption: "Recall the face of the poorest and the weakest person whom you may have seen, and ask yourself if the step you contemplate is going to be of any use to him. Will it restore him a control over his own life and destiny?" Wonder if George Bush got a copy — and whether he understood either the painting or the prose.

The text, incidentally, i credited to one Mohanda Karamchand Gandhi.

SMALL IS BEAUTIFUL

The eighties were a rough time for merica's large corporations. akeovers, mergers or bankruptcies elivered blows that hurt. Employees ere lopped off, factories shut, as ompanies on the Fortune *500 list ruggled to survive. The prognosis ooked very dark. But America's busiess engine chugged along. What elped keep it on the rails? John Case ttributes this to a resurgence of ntrepreneurship in the US in his ook* From the Ground Up. *A crop of mall startups absorbed the shockaves that the restructuring giants iggered off. Excerpts from the book.*

The story so far: like takeovers, the wave of entrepreneurship owed its existence to the marketplace mult of the previous two decades. arge manufacturers, facing stiff new ompetition, restructured their operaons, relying more on small suppliers uch as Kennedy Die Castings. And as arketers of all sorts shifted, big comanies typically retrenched rather an expanded. That left space for innovative entrepreneurs, who proceeded to build sophisticated, growth-oriented new companies, both high- and low-tech. One businessperson's problem, it turned out, was another's opportunity. As younger, smaller companies sprouted up amid the older, larger ones, the business landscape as a whole began to look different.

Then, too, just as takeovers developed a logic and momentum of their own, so did company building. In fact, a kind of snowball effect was at work here: the more entrepreneurial companies there were, the easier it was to start one. The reason could be found in the logic of entrepreneurship.

Any new company needs prospective customers, buyers who are willing to try out the goods or services it's offering. It also needs what economists call inputs: skilled people, money, and the expertise necessary to put them to work. For a growth-oriented company, the requirements are more exacting. The prospective market must itself be growing, or at least changing fast enough to give new entrants a toehold. The people and money must be more plentiful, the expertise more sophisticated. Many of us could assemble the resources and marshal the skills necessary to start a small restaurant or gas station. Not many of us could do the same for a state-of-the-art manufacturing company or a telecommunications business.

So long as the *Fortune* 500 dominated the business landscape, would-be entrepreneurs faced a bleak prospect. Large companies swooped into growing markets. They snapped up the best people: college graduates for the front office and dependable blue-collar workers for the shopfloor. They were rich — with retained earnings, with access to the stock and bond markets, with lines of credit at the big banks. Other companies were correspondingly poor, both in resources and in prospects. Entrepreneurs typically limited their aspirations to small, local markets. They rarely expected to make a lot of money, let alone generate any for investors or employees. Small business, even of the traditional variety, could have its rewards, notably a feeling of inde-



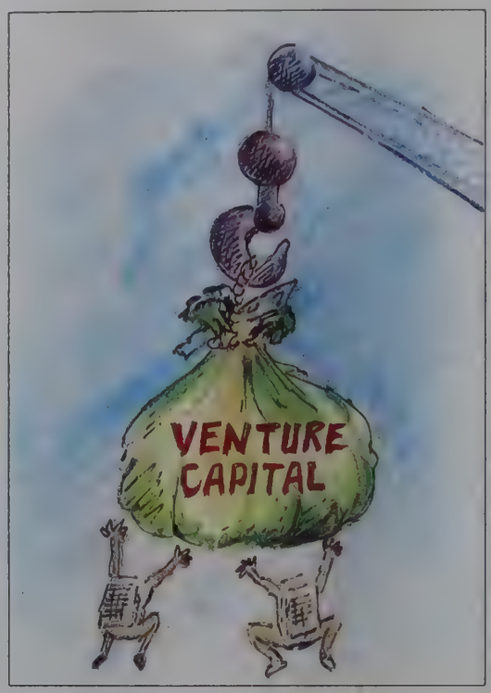
pendence, and plenty of sole practitioners and family-run businesses did well enough. But the economic action — the money, the power, the security — lay mostly with the giants.

But when the giants' fortunes turned — and when entrepreneurs began filling the gaps they had left in the marketplace — many different trend lines reversed themselves; now it was small-scale business that was gathering momentum. The new flow of resources could be seen in any number of areas.

Markets. In the past, a company that sold its wares to other businesses faced a choice; it could sell to the giants, with all the uncertainties that entailed, or it could rely on the slow-moving small-business markets. As industry after industry began spawning smaller, growing companies, however, the marketplace offered dozens of new opportunities. New companies — in manufacturing, health care, computer services, whatever — needed accounting, legal advice, advertising services, printing, travel-agent services, consulting help, janitorial services. Few could afford to hire full-time help in any of these areas, so they contracted with other companies to provide the services.

This secondary entrepreneurial boom could be seen in the decade's economic statistics. Employment in what the government calls business services more than doubled between 1980 and 1987, even though service-sector employment as a whole grew only about 25%. It could also be seen in the experience of individual companies. A Detroit advertising agency called CTS Associates, started by a Young & Rubicam (Y&R) refugee named Tom Scholl, grew to $1.6 million in revenues by focusing on companies Scholl felt Y&R was overlooking. The health-insurance firm WHP, First in Employee Benefits sold its services to businesses that were growing but that weren't big enough to have their own insurance staff.

The change was visible in other business marketplaces as well. A graphic example was the office-supplies business. Historically, the industry was as bifurcated as any. Big companies bought directly from office-supplies manufacturers, thereby getting big breaks on price. Everyone else bought from stationery stores and office-supplies dealers, perpetuating companies that had been around for decades. In the new, Birch-like economy, however, there was an opening for another kind of enterprise entirely: large office-supplies discount houses that catered to companies too small for direct deals but big enough to worry about office costs. In the north-east, the new market entrant was Staples. In the south-east, it was Office Depot; in California, Office



Club. "Staples would buy directly from the manufacturers, cut out the wholesalers, and pass on the savings to its customers," wrote Stephen D. Solomon in *Inc*. "That's how 12 yellow pads for $11.55 at an office-supply dealer go for $3.99 at Staples." In its third year of operation, Staples had 39 stores and $120 million in revenues. Office Depot, with 55 stores and $132 million, was even larger. Sprinkled among the fast-moving businesses that *Inc* tracked every year were many such enterprises, their growth piggybacked onto the growth of new companies in other parts of the economy.

People. As the *Fortune* 500 cut their work forces, people with extensive experience in the business world were thrown out of work. Others, seeing opportunities for corporate advancement closed, chose to leave. Both phenomena created a pool of talented, seasoned managers, the kind that simply hadn't been available to small companies in the past, who were now ready to go out on their own. Phil Pachulski, of Prime Technology, was trained at General Motors. Wallace Leyshon, of Appliance Control Technology, came from Motorola. James Hanahan, who founded WHP, First in Employee Benefits, spent twenty-three years at Connecticut General Life Insurance Co, now part of Cigna, the insurance giant. At one point, *Inc* surveyed the chief executive officers of every company that had ever been on its annual list of the 500 fastest-growing privately held companies in the United States; nearly one-third had spent most of their prior careers with a large corporation. For the 100 fastest-growing small public companies — somewhat larger, on average, than their privately-held counterparts — the comparable figure in 1988 was about two-thirds.

Infusions of such talent frequently had a dramatic effect on existing companies, as well as on new ones. In 1985, for example, an Ohio company called Yellow Springs Instruments was a sleepy manufacturer of scientific and industrial measuring devices. Its two founders, ready to retire, approached a forty-year-old executive of NCR Corp named Malte von Matthiessen about taking over the company. Von Matthiessen, a 16-year veteran of giant NCR, agreed. Five years later the newly renamed YSI Inc was a booming growth-oriented business, its managerial ranks populated not only by other NCR alumni but by talented young people such as Fayre Crossley-McKinney, a Yale School of Organization and Management graduate who had tried out life in *Fortune* 500 companies and found it not to her liking. YSI's sales were up nearly 50% over their 1985 level; the company had moved aggressively into several new technologically sophisticated product lines; and it was setting up joint ventures in both Europe and Japan, the better to position itself for competition in worldwide markets.

Money. Venture capital — money put into risky new companies in hopes of a big payoff — has always been an essential ingredient of American enterprise. William Ogden, a former mayor of Chicago, put up $25,000 for

a half-interest in Cyrus McCormick's reaper factory. Gardiner G. Hubbard and Thomas Sanders financed the inventions of a young man named Alexander Graham Bell. But not until after World War II did investors begin looking for high-risk, high-return ventures in any systematic way. Laurance S. Rockefeller, fresh from early-stage investments in Eastern Air Lines and McDonnell Aircraft Corp, set out to find (in the words of *BusinessWeek*'s John W. Wilson) "science-based or socially-useful projects that had the potential for substantial growth and profit." A group of wealthy Bostonians established a fund to support local scientist-entrepreneurs and recruited General Georges Doriot to serve as its president; it was called American Research & Development, and by most accounts it was the first organised venture-capital pool in modern times. Among the investments: $70,000 for 78% of a young company called Digital Equipment Corp. By 1972 the stock was worth $350 million.

Organized venture investing flourished in the sixties, petered out in the seventies, then — as might be expected — took off in the eighties. It both reflected and fed the boom in entrepreneurship, particularly the creation of fast-growing new high-tech companies. Investments by venture-capital firms increased about ten-fold during the decade, totaling some $32 billion by the end of 1988. The most visible entrepreneurial companies, those that grew quickly and then offered their stock to the public, created hundreds of instant millionaires, not only among company founders and executives but among astute venture investors. Benjamin M. Rosen, who left a vice-presidency with a big New York investment bank in 1980 to set up his own business, was involved in some 45 venture investments during the decade. They included Compaq Computer, Lotus Development (creators of the best-selling 1-2-3 spreadsheet program), and such other high-fliers as Cypress Semiconductor and Silicon Graphics.

To be sure, most new companies were never — could not have been — candidates for investment by organized venture-capital funds. "Formal" venture capitalists were looking for companies entering large markets with explosive growth potential. They were also looking for companies that could be taken public. (A public offering of stock gave them a sure way to "exit," or sell out their holdings, and thus realize their profits.) Most new companies, even those oriented toward growth, fit neither bill. Even so, large quantities of investment capital were available to new companies with good ideas and modest growth potential. A study by Robert J. Gaston for the Small Business Administration put the total of informal venture capital or "angel" investing at $27 billion annually, or nearly 10 times what organized venture-capital firms ordinarily invested each year. Angels, of course, were simply well-heeled individuals who made a practice of putting up capital for new ventures. Many — such as Sophia Collier, founder of the company that manufactured Soho Natural Soda, and John William Poduska, founder of three computer companies — were themselves successful entrepreneurs. Poduska invested in some 20 small companies during the decade, with deals typically running between $100,000 and $200,000 apiece.

Expertise. Accountants, consultants, and lawyers, as we'll see below, began paying new attention to small, growth-oriented companies during the eighties. That was hardly surprising, given the number of new companies looking for (and able to pay for) their services. More surprising was the fact that large companies themselves began offering both money and expertise to start-up firms. Corporations such as General Electric established internal venture-capital funds. Others set up what they liked to call strategic alliances. McKesson Corp, a $7 billion distributor of pharmaceuticals and other merchandise, sought out and invested in new companies that somehow tied in with its own lines of business (for example, a software developer that had come up with a new computerized warehousing system). Compaq Computer invested $12 million in a new disk-drive manufacturer called Conner Peripherals, thereby providing itself with a reliable source of disk drives.

In years past, large companies might have invested in smaller ones, but they generally treated the acquisition either as a subsidiary or as a passive investment. The new kind of alliance, by contrast, was "based on the assumption that each partner had a strong interest in the other's ability to be an established, successful, independent company" — and that the two companies would remain allies even as each of them pursued independent ventures. In the case of Compaq and Conner, for instance, Conner gradually reduced its dependence on the computer giant. By the time it was three years old it was selling sizable amounts of computer equipment to Compaq competitors such as NEC and Zenith.



(Excerpted from From the Ground up — The Resurgence of American Entrepreneurship; *published by Simon & Schuster; distributed in India by India Book Distributors; price $23.)*

BUSINESSPEOPLE



MEHTA: *No sympathy for the greedy*

Freddie Mehta believes the stockmarket slump will do some people a world of good. It will, he says, "teach over-enthusiastic investors an important lesson on the perils of greed." The outspoken sexagenarian Forbes group chairman found out just how avaricious investors can be when he was temporarily laid-up after a recent operation.

This was before the Harshad Mehta scam brought the bourses down. "People would come to see me at the hospital; they'd say 'How are you now?' and, before I could answer, change the subject — and ask me for stockmarket tips!" Mehta's advice then: sell, sell, sell.

And now: hold your breath, and your stocks, till things get better.

And if you've already lost your shirt, serves you right. "I have no sympathy for greedy people who have lost some money in the pursuit of easy riches."

Kiran Bajaj is finding the work on her second book pretty heavy going. The collection of poems, tentatively titled *Bhavuk* (Emotional), has been on the anvil for quite a while now. Explains Kiran: "Poetry isn't as simple as it seems; it requires constant meditation. If a single thing goes wrong with the *sadhna*, a whole wave of ideas breaks up."

BAJAJ: *Emotional appeal*



It doesn't help that Mrs Shekhar Bajaj has plenty of day-to-day distractions to cope with. In addition to being executive director of Hind Musafir, the Bombay-based travel agency, she is on the board of Bajaj International, the export house, and a trustee of the Jamnalal Bajaj Seva Trust. She's also president of the Indian Merchants' Chamber's ladies wing and is in the process of redesigning its monthly bulletin.

Nonetheless, Kiran expects to release her new book sometime inNovember-December.

Siemens managing director Eric Reinhardt has been in this country for just over a year; but he's wasting no time picking up the finer nuances of Indian CEO lifestyle. For a start, he's learning that most important of corporate skills — golf.



REINHARDT: *Taking to the turf*

Reinhardt is currently training under the eagle eye of a professional golfer at Bombay's Willingdon Club. It's too early in the day to discuss his handicap, but he claims to be a quick learner.

The Stuttgart-born Reinhardt says he's interested in the game because it gives him an opportunity to "forget about the hustle-bustle of the city and stroll through beautiful green fields." Golf isn't particularly popular in his native Baden-Wurttemberg. "We Germans aren't in the habit of building business contacts on the course," he says, with a grin.

It's a habit he'd do well to cultivate. As his coach will tell him, many a multi-crore deal has been struck on Willingdon's lush green turf.

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BUSINESS QUOTES



(Indian) industry's situation is like a man in a darkened room where the light has suddenly been switched on. But we will soon adjust.

Tisco managing director and Confederation of Indian Industry president J.J. Irani on the government's liberalisation moves, quoted in Business India.

India has unshackled itself. The playing field is now wide open to me.

Rama Prasad Goenka, quoted in Business Today.

At the end of the day, it's not important to know how good you are, but how far you have succeeded.

Polar International president Hardeep Singh, quoted in A&M.

If the scam results in better regulation being put in place, it will in fact encourage investment.

Securities & Exchange Board of India (Sebi) chief G.V. Ramakrishna on the effect of the securities scandal on foreign investment, quoted in The Times of India.

Though competition is not really a problem, it is more the price resistance, low priority and lack of awareness that we find tough to tackle.

Kelvinator India chief marketing manager R.K. Caprihan, quoted in The Economic Times.

The recent recession has brought home the point that a part of the workforce will have to go.

Premier Automobiles president J.M. Vakil, quoted in India Today.

We have competed with Coke in 151 countries. We will compete with them in India as well.

Pepsi Foods managing director Ramesh Vangal on Coke's entry into India, quoted in Sunday.

You have to be in command of your destiny in your core technologies. That is an absolute must.

ABB chief Percy Barnevik, quoted in Fortune.

Busine

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COVER STORY

"THE ECONOMY IS ABOUT TO TAKE OFF"

After one year in office, finance minister Manmohan Singh is still very upbeat. Liberalisation, he says, will continue and the economy is about to take off. Singh spoke to *BusinessWorld* in an exclusive interview about these and other issues.



SINGH: *Liberalisation will continue*

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HIGHWAY GRIDLOCK

As more than a million trucks went off the roads last fortnight, essentials went underground. The issues involved — the imposition of octroi and *patkar* (road tax) in certain states — will take some resolving.

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Despite setbacks in some divisions, Bombay-based Crompton Greaves is readying for a leap. President & managing director K.K. Nohria has visions of making it a world-class company by 1998.

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The buzzword today at the Rs 285-crore Mysore Cements is consolidation. President & chief executive Nand Lal Hamirwasia is also making concrete efforts to tighten up the company's marketing act.

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A few months ago all the big names in the private sector wanted to enter the mutual funds arena following the Securities & Exchange Board of India's (Sebi's) guidelines on the issue. Today, most of them are thinking twice.

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THE FALL FROM GRACE

Champaklal chief Bhupen Dalal, hitherto a pillar of the establishment, is behind bars these days. A look at the man and his antecedents.

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GOING FOR THE JAM

Bombay-based Kanmoor Foods has major ambitions on the Kissan-dominated jam market.

ssWorld



BHARGAVA: *Growth plans*



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ON A NEW ROAD

Maruti Udyog is no longer a government company. Its new-found freedom gives it the scope to take decisions on its own. Chairman & managing director R.C. Bhargava is planning to set up a couple of subsidiaries.

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SPOTLIGHT

COPING WITH THE NERVOUS NINETIES

If the eighties and what went before it were the years of dependence for Indian industry, the nineties have ushered in a very different decade. It is now the era of strategic thinking in competitive times.

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ONE TOO MANY

With one exhibition around the corner, hardware industry leaders wonder whether another computer carnival is really necessary.

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CASUALTIES OF CLOSURE

Stock exchange brokers once again boycotted trading; this time on account of the attachment of Harshad Mehta's assets. Their move delivered body blows to many.

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MANAGEMENT

MANAGEMENT MYTHS

The only ineluctable law in management is Murphy's: "If anything can go wrong,it will." Its derivative, that it will go wrong at the wrong time, also holds true.

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TEARING DOWN THE WALLS

More and more corporations are opting for open offices. Under this new architectural revolution, only senior executives are entitled to cabins.

A NEW-STYLE OFFICE: *Breaking barriers*



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"Don't add lime"



Like the British, we enjoy adding lime to our afternoon spirit. But now, for the first time, things will change. Because London Lime is here. Already spiked with lime.

So cheer this new spirit, but remember, "Don't add lime."



Cheers!

LONDON LIME

Spiked with Lime

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NATION NEEDS A BULWARK



This fortnight, the sovereign democratic republic of India instals in office its ninth president. In a republic, of course, all citizens are equal — yet, by common consensus, the president is more equal than others.

The president is a creature of the constitution and the Indian constitution has vested fabulous puissance in this office. Apart from being the pinnacle of governmental authority, the president is concurrently supreme commander of the armed forces as well as the highest court of ultimate judicial appeal. The constitution also makes it clear that he is an integral part of parliament; the latter is defined as consisting of the president, the Rajya Sabha and the Lok Sabha. And to top it all, being elected by the corpus of federal and state-level people's representatives, the incumbent implicitly enjoys the people's mandate.

It is easy to lose sight of the vast range and array of authority vested in the presidential office because the exercise of most of these powers is accompanied by ceremony, and ceremony often appears trivial. In an age where it is fashionable to be a sceptic, motions apparently trivial are assumed to be also mindless. The onus of demonstrating the error of this assumption lies with none other than the incumbent himself.

Right now, the country is in the midst of a historic transformation. The government is in the process of voluntarily ceding some of its powers to reinless forces dictated by the marketplace. In a nation rent with wide social, economic and aspirational disparities, this process will be inevitably accompanied by uncertainty, fear and pain.

In a time like this, the country needs a bulwark. The president of the republic is eminently positioned to play this role: above both politics and ambition, he can use erudition and statesmanship to defend the value systems which none of us ought to lose sight of.

India needs now, as ever, a custodian of its conscience and only the president can be entrusted with this responsibility.

India needs now, as ever, a custodian of its conscience and only the president can be entrusted with this responsibility

Don't compromise the life of your engine



Like your body and heart need good blood, an engine needs good engine oil.

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LETTERS TO THE EDITOR



POLITICIANS INVOLVED?

This refers to the cover story 'Crackdown' (*BW* 17-30 June 1992). The government has indeed moved swiftly to crack down on many a high-flier involved in the scam. But it does seem to be paying far too much attention to Harshad Mehta and his financial empire. There have to be some politicians involved too — a point that even *BW*'s article fails to bring out.

Gurleen Kaur
Bombay

THE RIGHT SUCCESSOR

This refers to the Spotlight piece 'The Tisco solution' (*BW* 17-30 June). Ratan Tata is a man of grace, dignified and very unassuming. His commitment to honesty and fair play is well known. The new hitech companies floated by the Tata group in recent years speak for his vision. JRD was right in choosing him as his successor.

Fixing a retirement age for top positions is a step in the right direction. No motives need to be attached to anyone. The resolution passed by the Tata Sons board is indeed a milestone in the growth of the Indian professional manager and an example to other family-run business houses.

A. Kishen Rao
Bombay

BENEFITING MNCs

Apropos the Management piece on voluntary retirement schemes (VRS) 'Separation, sans sorrow' (*BW* 17-30 June), *BusinessWorld* needs to be applauded for covering the subject. If the media had created interest in it in the past, many erstwhile blue-chip companies may have not been in the doldrums today.

VRS can greatly contribute to the growth of multinationals, as it acts in three ways. Since it is voluntary, the retiring staff are content; for obvious reasons the company is happy with the drop in fixed costs; and VRS helps keep a company's bottomline healthy.

Tapas Prasad Bagchi
Calcutta

NO CASSETTES, TAKE MAGS

This is with reference to the letter to the editor 'No spice' (*BW* 17-30 June). All our subscribers were periodically made aware of our problems through personal letters signed by Maneck Davar. The few (50 out of over 4,000) subscribers whose choice of cassettes could not be procured have been gifted yet another year's subscription of *TV & Video World*.

Bobby Daniel
Circulation executive
Sterling Newspapers
Bombay

LOPSIDED?

The Spotlight article 'The great managers famine' (*BW* 3-16 June 1992) has been based on incomplete information and is thus lopsided. The author has considered only the Indian Institutes of Management (IIMs) and has ignored MBAs turned out by the country's universities.

R. Ghosh
Asansol

EMPLOY CAs

The second part of the Spotlight piece 'The lucre lure' (*BW* 3-16 June) on soaring salaries was informative and useful. High inflation, however, lowers the potential to save, which is why the brain drain will continue. One always considers how much one can save, and not the monetary compensation alone. In my view, the gap between the demand and supply of MBAs can be met by employing chartered accountants (CAs), for CAs have proved their worth in disciplines other than their own — marketing and personnel, for example.

Mahesh Kapasi
New Delhi

FOR THE SMALL INVESTOR

This refers to the InvestmentWorld article 'In investors' interest' (*BW* 3-16 June). The introduction of stockinvest has brought relief to small investors, who were losing money by way of interest on application money. However, unless the scheme is made compulsory, its purpose will not be fully served. And it is still necessary to pay greater attention to delays in refunds.

S. Sundara Rao
Madras

HEAD TROUBLE

This refers to the Economy piece on public sector units (PSUs) 'Going topless' (*BW* 3-16 June). The government's failure to appoint chairmen in time is one of the reasons for the poor performance of PSUs.

Laxmi Narain
Hyderabad

DIFFICULT PROPOSITION

This refers to the Economy piece 'The greening process' (*BW* 3-16 June). Environment minister Kamal Nath has good intentions, but installing pollution control equipment is an expensive proposition. Will he be able to persuade companies to instal them? Looking at his present track record, I think he'll find it difficult.

P. Venkatesh
Madras



NATH: *Will he wield the big stick?*

COAL COMFORT

There may be hope at last for the major coal-consuming industries in India's extreme western parts like Gujarat and Rajasthan. Exploiting the lignite deposits available in that region has for long been uppermost in the minds of private sector industrialists. But so far the government's policy penchant forbade the private sector from exploiting the lignite mines. For several years the ball lay in the court of Neyveli Lignite Corp which failed to make headway in western India owing to several reasons, lack of funds being one of them.

The good news now is that the Rajasthan government has been allowed to bring in private parties. First on the bandwagon is an obscure company called Australia Trading Co which has apparently signed a memorandum of understanding with Colman Associate, an Australian company, well-known for its mining and power technology. The combine will put up two 120 Mw lignite-based power plants in Rajasthan.

Investigations reveal that the moving force behind this is the Calcutta-based Dhanuka group headed by O.P. Dhanuka of Hindustan Wire Products. Financial details are being worked out, and Dhanuka is confident of making it to the big time.

LEVER'S NEW FORAY

Hindustan Lever is expanding internationally for the first time. The Indian company is setting up a joint venture in Nepal called Lever Nepal in which it will have an 80% equity stake. Lever Nepal will manufacture soaps and detergents.

That's not all. Levers has recently acquired a sick unit in Uttar Pradesh — Shivalik Cellulose — which manufactures soaps. Also in the works for the Unilever group is a new method of distribution. Lipton and Brooke Bond are planning to buy 400-500 refrigerated vans which will supply products in remote corners of the country. This is primarily meant to beat the heat in summer and ensure that products don't get spoilt.

PIRAMAL PLANS

Luggage manufacturer Blow Plast is making a determined bid to get going in the office furniture business. The company recently tied up with Clobber of Germany to make designer furniture for offices.



PIRAMAL: *A bagful of plans*

This Dilip Piramal outfit has other plans up its sleeve too. As part of its export drive the company is negotiating to set up joint ventures to manufacture luggage in Nigeria and Indonesia. And it will be soon flagging off dedicated plants in India primarily to tap the export market.

DIGJAM'S NEW CLOTHES

Digjam, part of the S.K. Birla group, is slated to join the good company of Raymond's, Bata and Madura Coats, amongst others, this summer. The woollen textiles manufacturer has decided to enhance Digjam's brand equity by going in for the full range of men's wear under the Digjam brandname. Shirts, trousers, blazers and so on will be available in the first phase, accessories will follow. The group's existing all-India retail outlets network is slated for rapid expansion in the coming weeks with the appointment of new franchisees.

Incidentally, the group is simultaneously winding up its small product line of Hagar men's wear. From now on, the exclusive focus will be on adding value to the Digjam label. Sister concern OCM, though, will not enter the readymades market.

PIPELINE RUN-UP

For those who believed that the Kandla-Bhatinda pipeline contract deal would be a replay of the cliff-hanging run-up to awarding the Hazira-Bijaipur-Jagdishpur (HBJ) pipeline contract, there's bad news. The Kandla-Bhatinda pipeline business is going to be a relatively tame affair.

Construction of the pipeline has been delayed for nearly six years, thanks to a dispute between the railways and the petroleum ministry over the desirability of the Rs 1,300-crore project. To make up for lost time, the government is going full steam ahead. Four groups of contractors have cleared the pre-qualification round: Snamprogetti, Spie-Capag, a Birla-GTME consortium that includes Entrepose of France, and a consortium of three Czechoslovakian companies with Larsen & Toubro. Pipeline-laying firms Punj Lloyd and Dodsal are believed to be talking to all the four groups on a tieup, although Dodsal is officially committed to Snamprogetti. The technical bids are expected to be in by 15 July, and the price bids by 21 September.

The Kandla-Bhatinda pipeline contract, however, differs in several respects from the HBJ deal. For one, the competition for the HBJ contract was fierce because the international pipeline business was then in the dumps. That's no longer the case today: several pipelines are being laid in west Asia. Says a source at a pipeline-laying firm: "Nobody needs the Kandla-Bhatinda job today. So there's not much jockeying going on."

Secondly, all manner of accusations surfaced in the HBJ pipeline case, and the Rajiv Gandhi government was perceived as bending over backwards to favour Italian engineering and pipeline

giant Snamprogetti and its representative in India, Ottavio Quattrocchi, a friend of the Gandhis. French company Spie-Capag ultimately bagged the Rs 1,700-crore contract.

But Spie-Capag could face a handicap this time chiefly because it took a dispute over payments with the Gas Authority of India to a Paris court. The issue is still in court, and the government may not wish to tangle with Spie again in a fresh contract. So will Quattrocchi then get his revenge? The coming months will, of course, provide an answer to that.

THE MARRIOT DEAL

For years, Indana group boss H.S. Jalan talked of leapfrogging into the mega league by launching a host of exciting new ventures: ceramics, tyres, steel and what have you. But after a headline-hitting battle with Nestle in the instant coffee market, Indana virtually faded out of the public eye.

That's changing, if one goes by forays that are in the works. The group has now tied up with the US-based hotel chain Marriot to set up a hotel in Goa. The Marriot chain will pick up 25% of the Rs 150-crore hotel project's equity. Also on the anvil are hotels in Bangalore and Madras.

The group has also been in the



JALAN: *Checking into hoteliering*

limelight because of its tense relationship with Megacorp managing director Sudhir Lal (see *BW* 17-30 June). Jalan and his son-in-law Rakesh Vasisht have apparently decided to let Lal continue at Megacorp till such time as he moves out on his own.

SAPRU'S SECOND SOJOURN

Inevitably, ex-ITC chairman Jagdish Sapru's retirement is turning out to be a busy one.

Not long ago, he was appointed chairman of Coates of India, a move which did not surprise anyone because Coates is an ITC affiliate. However, Coates' new principal overseas shareholder Total Chemie of France is very interested in putting its Indian unit to good use; last month, both Sapru and Coates managing director P.K. Dutt visited France to discuss the company's future plans.



SAPRU: *Still busy*

And then, last fortnight, Sapru was named to the IOL (formerly Indian Oxygen) board to fill up the only vacancy it had. Clued-in corporate monitors aver that it is a sure bet Sapru will become the next non-executive chairman of IOL — and soon. The present incumbent M.M. 'Mohni' Sabharwal is tradition-bound to retire following the example of his two predecessors Bhaskar Mittar and Russi Mody — at age 70.

IN FIRST GEAR

Reports that the government may delicense the passenger car industry has rekindled hopes among the various companies which have been eyeing this sector for years. The Delhi-headquartered Eicher group of tractor and light commercial vehicle companies, for one, is keeping its fingers crossed. Eicher's application to turn out a small car has been gathering dust in the industry ministry for exactly two years. According to company insiders, the proposed car (if it gets the green signal) will have product features comparable to the 800 cc Maruti but with one difference: Eicher's will run on compressed natural gas (CNG).

But even as hopes run high, the brass at Eicher is still sceptical about whether the automobile industry will be thrown open to all and sundry. Till that happens, Eicher will not get into high gear on the project.

THE RADIAL ROUTE

The tyre industry isn't in the pinkest of health right now, and leading players are furrowing their brows to devise permanent remedies. One possible way out is to go radial, because non-radial export markets are severely constricted. (The European tyre market, for instance, is 99% radial.)

Radial tyre manufacturing plants, though, aren't exactly cheap and Indian tyre companies can hardly afford mega-investments in their present parlous state of health. At Modi Continental, strategists have hit upon a plan to import a second-hand radial truck-bus tyre plant to save on capital cost. But this plan has run into a bureaucratic obstacle: import of second-hand plants is subject to a seven-year age ceiling bar. For tyres, this ceiling makes little sense because the plants have a life cycle stretching to decades and it is unlikely anyway that a relatively new plant would be available for sale.

When last heard of, Modi Continental managers were representing to government against this seven-year ceiling rule. Hopefully, in this age of deregulation, officialdom's discretionary powers will be executed in favour of industry. And soon.

HIGHWAY GRIDLOCK

For months, they'd been threatening to pull their trucks off the nation's highways. Yet,as roughly a million trucks came to a screeching halt last fortnight, the unprecedented strike caught most major cities napping. Vegetables went underground and then turned scarce. Late last fortnight, the strike threatened to affect industry. Quite simply, the spectre of raw materials not reaching factories and of finished products not arriving in markets around the country seemed very real.

The good news in all this is that petroleum product shortages are unlikely. Reason: most petroleum products are moved by rail or through pipelines. And as far as transporting petroleum products by road is concerned, the biggest operators are companies like Indian Oil which are not involved in the strike.

Organised by the All India Motor Transport Congress (AIMTC), the strike has truckers virtually holding the country to ransom. The AIMTC says it's the first time it has organised an indefinite strike. Says G.K. Pillay, joint secretary at the surface transport ministry: "The strike is totally uncalled for."

The AIMTC has 16 demands, chief among them being the abolition of *patkar* (toll tax) and octroi, and the elimination of permits for trucks that operate within one state.

"They have no reason to complain as they pass on the octroi and *patkar* imposed on them to consumers," says Pillay. But AIMTC secretary C. Chittaranjan Das ripostes: "Initially, *patkar* existed only in Haryana. Today, it's prevalent in six states and others are planning to impose it."

Patkar is imposed at the rate of Rs 100 a day. The states want to raise it to Rs 200 a day. Also, trucks registered in a state do not come under the purview of *patkar*. Clearly, that's discriminatory. The government, however, ducks the issue. "Anyway, octroi and *patkar* are not central subjects. It's for the states to decide whether they want to abolish it," says Pillay.

A debate on abolishing octroi has raged for years. "Several committees have been set up to find an alternative source of income for the states but till now there has been no progress," says Das.

"Bombay alone gets Rs 600 crore from octroi annually. So how do you expect a state to withdraw it," asks Pillay. In fact, the Maharashtra assembly had passed a resolution three years ago to abolish octroi. So far there has been no follow-up action.

Surface transport ministry officials claim that the demand of transporters that permits for trucks operating within a state be abolished is being considered and that action will taken on this soon.

Late last fortnight, the truck operators were sticking to their guns. "If there is nothing concrete from the government in response to our demands, the strike will continue," says Das. The government on its part has called for a tripartite meeting to settle the issues involved. But an operator participating in the strike says: "Now is not the time for talks. What we need now is implementation."

With positions hardening, it looked as if the government would move to break the strike. If it does, the nation's truckers may well eventually gear up for yet another confrontation with the government.

□ Anup Jayaram

IDLE TRUCKS: *Holding the country to ransom*



COMPLEX, BY FAR

Commerce minister P. Chidambaram had publicly promised to plug loopholes in the export-import (exim) policy announced in early April. Last fortnight, the commerce ministry delivered on its promise — in a manner of speaking.

On 1 July, the ministry modified the exim policy by enlarging the definition of consumer goods, capital goods and the term 'manufacture.' It also liberalised the export promotion capital goods scheme, and reduced the minimum value addition for a wide range of products.

These apart, the changes included a host of technical alterations to remove the unintended omissions and the ambiguities in the 1 April policy. Most of the changes come in the wake of representations by trade and industry. Example: the term consumer goods now not only includes any consumption goods, but also accessories, components, parts and spares of all such consumer durables.

Commerce secretary A.V. Ganesan says that 100% export-oriented units (EOUs) and those located in export processing zones have been

allowed to export their products through export houses as well as trading and star trading houses.

Reacting to this new provision, Chinar Exports general manager Rajiv Aggarwal says: "It is interesting if the EOU can transfer its performance to a trading house." He adds: "Otherwise it's old wine in a new bottle."

Contrary to businessmen's expectations, the negative list of imports and exports remains unchanged. "If at all there will be any changes in the negative list of imports, it will be in the consumer goods sector," says Ganesan.



GANESAN: *Technical changes*

The commerce ministry also took a few more steps down the liberalisation road. For instance, bulk import of diamonds has been opened out. From now, licences for bulk import of diamond will be given to exporters whose annual average export of cut and polished diamonds during the past three years has not been under Rs 10 crore.

Lastly, double weightage continues on the net foreign exchange (NFE) earned by products manufactured by small businesses. But triple weightage will be given to the NFE earned by handloom products and by hand-knotted carpets and silk products.

Still, several of the amendments and additions to the policy are of an overly technical nature. Confesses Ganesan: "I do not understand some of these changes relating to diamond exports."

□ Anup Jayaram

DIFFERENTIAL TREATMENT

When the Unit Trust of India (UTI) recently announced a special discount offer of up to 25% for existing investors in its Unit 1964 scheme, it must have expected kudos. Instead, what the big daddy of the mutual fund business now faces is controversy.

Unit sales over the past few months are reported to have picked up following rumours that they would be quoted at their net asset value (NAV) rather than the UTI-determined repurchase price. But nothing of this sort has happened. "It is not so easy to link the repurchase price to the NAV," says UTI chairman S.A. Dave. Not easy, but not impossible either. A liberal rights issue can bring the NAV (currently around Rs 30) closer to the repurchase price. Anticipating this, corporate funds had flowed into units.

The offer has now been made. With one tiny difference. It discriminates in favour of the small and long-term investor (see table). And against corporate investors who temporarily park huge surplus funds in units to take advantage of tax breaks as well as to indulge in dividend stripping. "First forward deals in units were banned. Now this. One wonders whether UTI is hell-bent on driving away its corporate investors," a Bombay-based merchant banker points out.

DISCOUNT DRAMA

Date of purchase	Maximum entitlement up to 1,000 units	More than 1,000 units
Before July 1971	1,200	1,800
1 July 1971 to 30 June 1978	800	1,200
1 July 1978 to 30 June 1985	600	900
After 1985	400	600

Dave, of course, has been quick to deny this. According to him, it is the post-1985 unit holder rather than the earlier investor who has benefited from high dividends and capital appreciation. This has been borne out by an internal UTI study. It is this imbalance that is now being corrected.

Besides, since the current offer is a preferential rather than a rights issue, all investors need not be treated on par. The *pari passu* principle, according to the mutual fund's legal advisers, is not sacrosanct in this case. Some investors can be considered more equal than others.



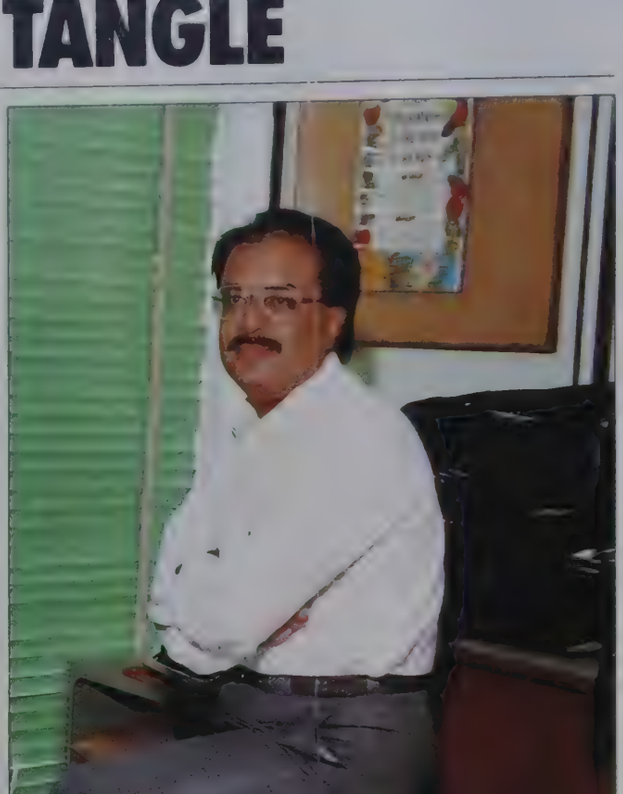
DAVE: *Driving away corporate investors?*

True. UTI has done its bit for the small investor. But is alienating your biggest client base prudent business strategy? After all, UTI is no longer a cushy monopoly, unconcerned about its bottomline.

□ Niranjan Rajadhyaksha

THE TATA TANGLE

A union taking on the management — and actually forcing it to change tracks? That seems to be a thing of the past. But the Philips Employees' Union (PEU) has done the impossible. After a protracted seven-month battle with the Peico Electronics & Electricals management, the PEU has been successful in forcing the Tatas to reconsider their decision to participate in the company's proposed Rs 28.3 crore fully-convertible debenture (FCD) issue last fortnight. "More important," says PEU president Kiron Mehta, "is the fact that we achieved our desired result without losing a single man-hour — without resorting to a strike."



MEHTA: *No confrontations please!*

The trouble began in June 1991 when the Peico management passed a special resolution for the issue of 1.13 crore FCDs of Rs 25 each to be converted into one share of Rs 10 after one year. As per a memorandum of understanding (MoU) entered into by parent company Philips NV and the Tatas, the Tatas were to get 46 lakh FCDs and Philips NV 45 lakh, the rest going to the financial institutions (FIs) and the shareholders. This meant that after conversion the Tatas would have a 10.3% stake in Peico.

So what were the PEU's objections? One was the low premium of Rs 15 for the Tata stake, and then there was the inequitable distribution pattern. As per the MoU, Philips NV was to get one FCD for every three shares held while the FIs and the public were to get one FCD for every 10 shares. A couple of shareholders also filed a case against Peico for violation of clause 40A and 40B of the listing agreement. This apart, claims Mehta, the Peico management was maintaining a "Kafkaesque secrecy" over the terms of the MoU.

The PEU then appealed in various fora and met with a fair degree of success. However, an appeal to the controller of capital issues (CCI) to stop the proposed issue on the grounds that the premium had not been fixed correctly was turned down. The CCI's contention: the issue was approved by shareholders at the annual general meeting (AGM). But, points out Mehta, only 200 of a total of 72,000 shareholders attended the meeting. PEU has now filed a writ of Mandamus against the CCI.

By end-June this year, the Tatas apparently had enough and backed out. The ostensible reason for the withdrawal was Peico's inability to mobilise badly needed funds for ongoing operations as the proposed capital issue was caught up in litigation. But the Tatas are not too keen to talk about it. On being contacted by *BusinessWorld*, a senior Tata functionary said: "All that we had to say is said in the advertisement (announcing the withdrawal). We have nothing more to add." Mehta, however, is dismissive: "All that is hogwash. If their heart bleeds for Peico, why don't they give it an intercorporate loan."

□ Padma Kumar

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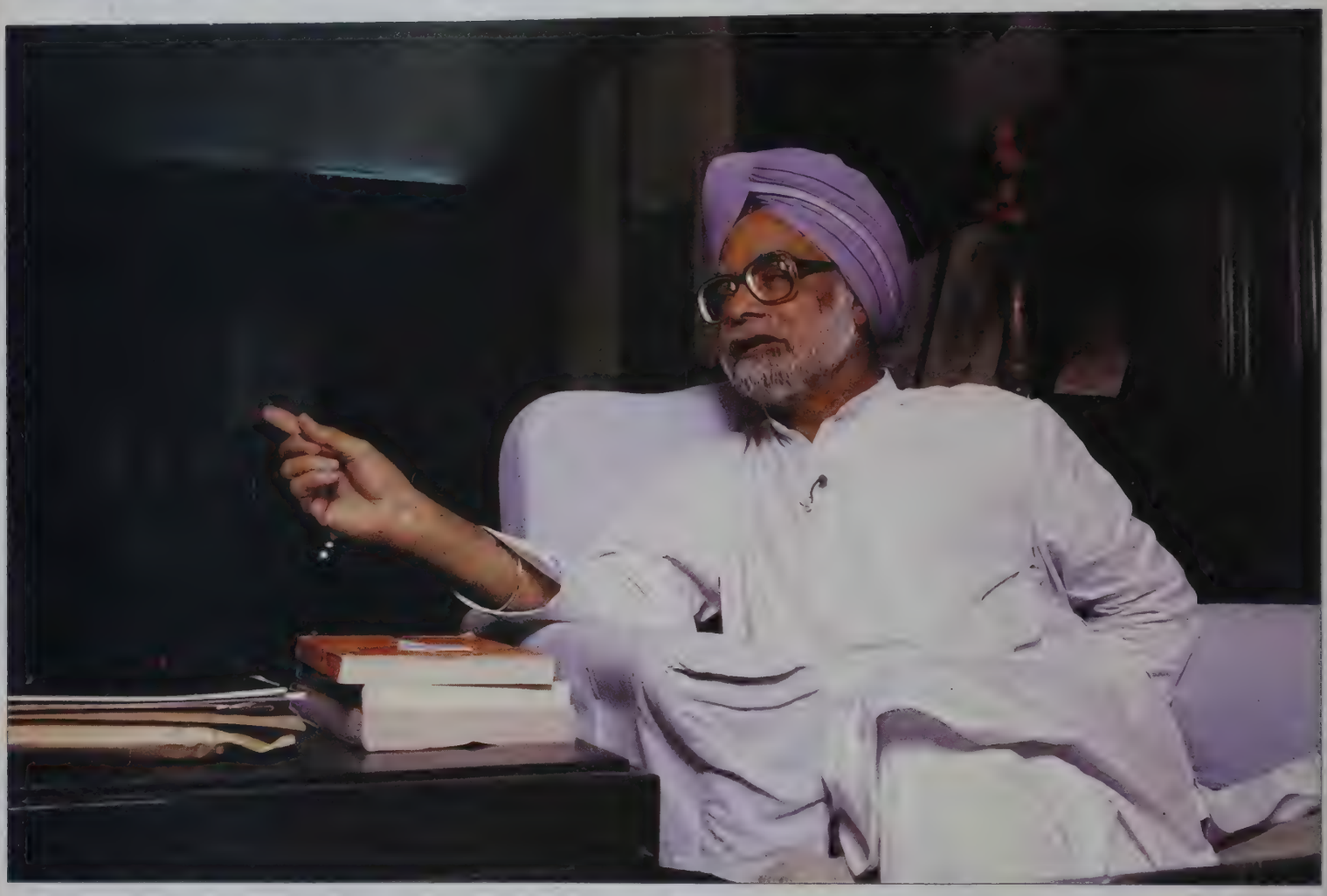
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COVER STORY

"THE ECONOMY IS ABOUT TO TAKE OFF"



For any finance minister, the time after he presents his second budget is the most dangerous. Since the days of Morarji Desai, only one finance minister — Pranab Mukherjee — has held office long enough to present more than two budgets.

Manmohan Singh must know that, of course, though he bristles at a newspaper's mention of the mortality rate for finance ministers. Shortly after the last budget, he had dismissed the sudden sense of euphoria with a disarming display of realism: "Middle-class support is always fickle," he observed. Now he knows that observers will become more questioning, the people in general more demanding, wanting results. The honeymoon year is over, and a difficult parliament session lies ahead.

Nevertheless, he is relaxed, and experimenting sartorially with a white, khadi kurta-pyjama set. Is one interviewing an economist, or a politician?

Some things become clear, even though they are not confirmed in the interview. It is almost certain, for instance, that Dr Manmohan Singh went across to the prime minister and offered to resign, in the wake of the bank scam. He is also believed to have said that there was no call for anyone else (like the Reserve Bank governor) resigning; if anyone should pay the price, it should be the finance minister.

Is the reform programme going well? Yes, the finance minister insists, but it is a claim which lacks real conviction. The explanations with regard to prices continuing to rise and exports continuing to be sluggish are partial, at best. When pressed on issues like public sector reform, he says: "Don't judge us too harshly." In other words, there simply has not been enough time; the government has been in office for only a year.

But there is conviction when he says that no other period has been as packed with reform as the past year. The question, of course, is not whether the performance is better than in the past, but whether it is good

enough in relation to the size of the task.

It is also obvious that the coming months are critical: to getting the fiscal and monetary situation under control, bringing down the rate of inflation, and achieving a basic equilibrium in the economy that will permit further reform: rupee convertibility, lower customs tariffs, greater spending on social sectors, and so on.

Has the bank scam resulted in a loss of steam for the reform programme? Well, loss of time, perhaps, but not loss of steam. And yes, the parliament session will be difficult. But at the consultative committee meeting he thought he eventually carried the day. So perhaps that will happen in parliament as well. Or so Dr Manmohan Singh hopes.

In this hour-long interview with BusinessWorld, *the finance minister goes into the scam, and the entire gamut of issues confronting the economy, and spells out what he calls the unfinished tasks. Excerpts:*

India's balance of payments is still very fragile. We are sitting on these $11 million non-resident deposits. If India's macroeconomic performance deteriorates, these funds can flow out



■ Dr Manmohan Singh, you have now spent a little more than a year in office as finance minister. How would you rate yourself and your performance?

I feel a very considerable degree of satisfaction at what has been achieved during this one year considering the constraints under which we were operating — I had to present two budgets in seven months, I had to conduct extremely difficult negotiations with the international financial institutions... Despite all this, we launched the process of structural reform, industrial policy reform, trade policy reform, financial sector reform, tax reform. Never in the history of India has so much reform been packaged in such a short period of time.

■ What would you consider to be your failures?

You may say that the rate of inflation has not come down to the level that I projected in the IMF (International Monetary Fund) letter of intent. But the day I became finance minister, I said that we are in for a long period of trouble, that you would see positive results only after a period of about three years. At that time I was criticised by people who said that the Congress party had promised that the inflation rate would be brought down in 100 days and I said I have no magic plan.

It is true that I put a particular number in the IMF document, but I did so for more than one reason. If I had said that I am helpless, that I will keep the inflation rate rising, that we will keep it at 12-13%... in all these matters expectations have an influence of their own.

■ You mean, even though you were projecting 9-10% inflation, you knew that it would in fact be a little higher.

Considering that we were having a 25% change in the exchange rate, considering that we had the most savage import compression, it has not come to me as a surprise that the inflation rate has been around 12%. I am confident that future historians will write that it is really remarkable that, despite all these heavy odds, despite the devaluation, despite an import compression of $5 billion, the inflation rate was kept constant at 11-12%.

■ You're saying that in a sense the performance on prices is in fact not so bad. You've forecast 7% inflation in the current year. Do you expect that to be achieved?

I would say that if the weather gods are kind, there is a very good chance that that expectation will be realised.

■ Apart from inflation, what else would you consider to be a failure?

I am not conscious of any failure. I feel that we have set in motion a process which can only accelerate the tempo of social and economic change. Therefore, I don't consider anything a failure. It is true that exports haven't done well. But economic policy planning is not a controlled laboratory experiment. It is not like flying an aeroplane, where you push one button and you get one result. You are operating in a large area of uncertainty. Who could foresee in July 1990 that the Soviet Union would simply disappear from the scene? That has totally upset our export calculations. But I would say that the balance of payments has been well managed, and will continue to be well managed in the coming year. Overall, therefore, our performance is not something which one should laugh at.

■ What comes next?

We have a large unfinished agenda. I think we have to push the trade reforms to their logical conclusion, we must make the rupee convertible on the current account. As soon as we bring inflation under control, we could move pretty fast in that direction.

■ By when would you expect that to happen?

I have to watch the monsoons. If the weather gods are favourable, you will see a progessive decline in the inflation rate. But I am not a prophet. So I have to keep my fingers crossed.

Then, the tax reforms. We began the process this year. We have said we will move from personal income tax to corporate tax (sic). We have begun the process of reform of tariff structures. That we have to complete over the next three years.

Then, financial sector reforms. We have taken some steps, we have abolished the office of the controller of capital issues, we have given Sebi (the Securities & Exchange Board of India) legislative backing — it was set up in 1987 but until this year it was not given legislative backing. We have now issued guidelines for new issues. Similarly, guidelines have been issued for private sector mutual funds.

■ Are you planning anything for promoting investment, or boosting industrial growth?

Investment is a by-product of the total working atmosphere. But these boosts are pump-priming type of things. They can't really bring about any viable industrial investment. People say, well, maybe you should give some tax concessions for some activities.

■ Which you've done?

In some areas we have, but (given) the structural disequilibrium in which the economy is today, you will need a lot more fundamental thinking to revive industry. And last year we had to compress imports by such a savage amount: $5 billion is not a small amount. Inevitably, it depressed industrial production. It is the state of activity which determines what investment levels are going to be. Therefore, investment levels were depressed.

But from all the evidence I've seen, the expectations of the people are that the Indian economy is about to take off to a higher growth path. And I am confident that, if our macroeconomic stabilisation programme proceeds as we expect it will proceed, and if the balance of payments continues to be well managed, investment will take care of itself.

■ There seems to be a general perception that the entire reforms programme is losing steam. Would you agree with this?

There's no basis for any such fears. We are proceeding according to our programme. It is true that this banking crisis has taken a lot of my time during the course of the past month, but we have not allowed that to slow down the momentum. We recently removed the dividend balancing clause from foreign investments. I had said that this is a temporary thing we have done and as soon as our balance of payments improves we will remove it. We have done that.

Several sick companies have been referred to the BIFR (Board for Industrial & Financial Reconstruction). We are looking at a new package for the Delhi Transport Corp. We are looking at a new package for the National Textile Corp. For those 60-odd enterprises that will be automatically referred to the BIFR, we have been discussing with the trade unions what can be done to restructure those enterprises; the National Renewal Fund is in operation. So I don't think there is any slowing down.



Those who say you have cut social services, I ask them, what are your options? I cannot cut defence expenditure beyond a point. I cannot cut administrative expenditures in the government unless I am willing to have a wage or DA freeze

■ Do you see the constituency for change being eroded, and the consensus for change in a sense withering away?

Well, there is a general feeling... I think it is inevitable when a government completes one year... In a democracy, people certainly become more inquisitive, become more critical. And that is as it should be.

■ But isn't this the most important element that you need to push through?

We do need public support to sustain the process of reform in a democracy. But I personally feel that at the levels of the major actors there is growing support for the reforms process.

■ Turning to the macroeconomic stabilisation programme, your fiscal deficit is supposed to come down in the current year to 5% of GDP (gross domestic product). Critical to this is reducing the fertiliser subsidy. But although the first quarter of the year is over and a lot of fertiliser consumption has already taken place for the kharif crop, there is no sign of the fertiliser price increase that is implicit in your fiscal assumption. There are other steps like this which you have not taken.

Let me say that we are committed to keeping the fiscal deficit to 5% of our GDP. Now we have been waiting for the report of the parliamentary committee on fertilisers. That committee's report has been delayed. As soon as that report becomes available, we will take suitable action. I would like to reaffirm that we are committed to bringing down the fiscal deficit. What I said in the budget will be done.

■ What are your options on the fertiliser subsidy question?

It's premature for me to discuss that, because I would like to look at the report of the parliamentary committee. We have a number of options and I repeat that we will keep the fiscal deficit at the targeted level. There were doubts last year also that we would not be able to maintain that fiscal deficit.

■ Well, I'm not sure whether you achieved that with totally straightforward accounting.

Do you think the IMF would have approved?

■ I am told the IMF has switched as a result of that from quarterly monitoring of performance to monthly monitoring.

But that's good. We should have done it ourselves.

■ But that indicates a certain lack of confidence.

No, no. Not a lack of confidence. I think it only means that expenditure decisions in our country take place regardless of revenue considerations.

■ If somebody is sitting and reading over your shoulder while you're

functioning as finance minister, some external financial agency...

These are things that are good for our country. Proper phasing of expenditure — we've not paid adequate attention to these things in the past. Now if we want to control money supply, it is no use controlling money supply on 31 March. I think we must have an expenditure pattern which ensures steady reductions in money supply.

■ Won't it be better for us to do that ourselves, rather than somebody else sitting and monitoring things every month?

Nobody is monitoring every month. It is not true that the IMF people are sitting in the ministry of finance and monitoring. We are ourselves monitoring. It's not correct that anybody from outside is sitting here and monitoring month by month.

■ On money supply, the target was 13% growth last year and we actually did about 19%. The target this year is an even more difficult 11%. Now this is critical to controlling inflation. Do you really see an 11% target being achieved? Coming down from 19% to 11% is not easy.

Last year in a way our success in controlling the balance of payments situation was also a major factor which contributed to our inability to control money supply. So I believe this year we will attain whatever we have promised to the IMF.

■ In an interview last year you said the biggest danger you faced was stagflation. Isn't stagflation already with us?

I think we are going to get out of stagflation. The fact that in the very first year of the adjustment programme we maintained a growth rate of 2.5%... Very few countries have had that sort of experience. National income in Mexico declined massively in the initial years of their programme. So we have not allowed that sort of situation to prevail. This year, I feel, the growth rate would be close to 4% if the weather gods are kind.

■ The monsoon forecast seems to be on the lower side of normal. After factoring that in, do you still expect 4% growth?

The question is, how much below the normal? If it is plus or minus 10%, then the overall growth rate will not be affected. But if it is a disaster, then of course nobody can make predictions. But I must say that the expectations that the monsoons will be below normal may need to be tempered. By and large, rainfall has gone according to normal behaviour.

■ The arrangement with the IMF was supposed to be converted into an Extended Fund Facility by March this year, but this has been pushed back to September or October. Does this mean that there is any trouble with the IMF?

There is no trouble.

This year, I feel, the growth rate would be close to 4% per annum if the weather gods are kind

■ What are the reasons for postponing it?

As I said, we must take certain basic decisions with regard to fiscal management and we feel that by September or October we will be in a better position. We can go on making promises, but we must also perform. So I feel that we need these two or three months to take those basic decisions, and we still intend to go in for an Extended Fund Facility. Since our reserves are much better than what was projected by the IMF, there is no particular urgency to rush that thing. The IMF had projected that our reserves at the end of March would be about $2.3 billion. Today our reserves are about $6 billion. So there is no particular urgency to rush into an Extended Fund Facility right away, but it is our intention to go that route.

■ With regard to the World Bank, the sectoral loan for financial sector reform seems to have been called off. What were the reasons for this?

We discussed it with the World Bank and the preliminary feedback we got from the World Bank was that they felt that we had to privatise some of the banks. We are not in a position to give that sort of commitment. I have said on the floor of the house that we have no intention of privatising any of the existing banks.

■ In your budget speech in February, you had made a specific reference to enlarging the role of the private banks, including foreign banks.

The private banks are already here, the foreign banks are already there. We are not making any changes in that direction. Over a period of time, India needs more competition, larger presence of foreign banks, larger presence of private banks. We have not gone back on that.

■ Even in the power sector, it seems the World Bank loan may be a problem because of power tariff problems and other related issues.



I think the World Bank will come round on the power sector. We've had good discussions with them. The World Bank is convinced of our seriousness in improving the performance of the power sector. So I'm confident that in that area things will move smoothly.

■ Overall, how would you characterise relations now with the Fund and Bank compared to, say, a year ago?

Our relations with the Fund and Bank continue to be cordial. They have shown great understanding of India's concerns, India's interests, and I have no reason to believe that this perception will change in the coming 12 months. Both the Fund and the Bank recognise that carrying out basic structural reforms in the framework of a democracy is not the same thing as carrying out these reforms in a country that has a one-party system.

■ What are the most difficult questions they have been asking?

On the financial sector. One particular area we were sounded on was whether privatisation was on the cards. We said that this is not on the cards.

■ Turning to the balance of payments situation, you said that reserves are up, to $6 billion. Is this a very mixed blessing, in the sense that it breeds complacency?

I can assure you we are not being complacent. We recognise that India's balance of payments is still very fragile, that confidence is a very fickle-minded thing, that we are sitting on these $11 million non-resident deposits, that these funds can flow out if India's macroeconomic performance deteriorates. We will, therefore, do those basic, difficult things that would continue to inspire confidence in the continued viability of India's balance of payments.



We have a large unfinished agenda. I think we have to push the trade reforms to their logical conclusion, we must make the rupee convertible on the current account. As soon as we bring inflation under control, we could move pretty fast in that direction

■ Would this year's current account gap on foreign exchange financing be roughly the same as that two years ago?

I'm sorry, I don't know what it was two years ago, but this year we need a larger current account gap, we need to absorb the amount of foreign exchange that has been committed. Also, considering that we have removed import restrictions of the type that prevailed last year... So there is a deliberate effort to allow the current account deficit to increase because that's the only way we can absorb external inflows this year.

■ The basic problem seems to be that reserves have gone up but exports are still either sluggish or are even showing negative trends. Does this worry you, and what do you intend doing about it?

Exports are not doing very well for reasons beyond our control. The disappearance of the Soviet Union last year created a situation where our exports to that particular area fell by 50%. This year again there is a great uncertainty about exports to the former Soviet Union countries.

■ Even in general currency areas, there's been a drop in April exports.

The level of activity in the general currency area continues to be sluggish but I do feel that our exports to the general currency area this year will show a definite improvement, compared to last year's 6% growth rate in dollar terms.

■ On the foreign investment front, a fair amount of approvals have been made, but the actual investment taking place is not very much as yet.

Approvals in the past one year exceed about Rs 1,800 crore, and it always takes time to convert those approvals into disbursements on the ground. The Chinese, for example — I was looking at the Chinese data. Their commitments every year are roughly $10 billion. Disbursements are about $2.5 billion. So there is always a gap. In the coming years you will see a considerable amount of activity. Disbursements will improve. But right from the beginning I never said that I expected a flood of foreign investment.

■ Rs 1,800 crore at today's valuation of their dollar-rupee ratio. That's about $600 million.

Yes, roughly.

■ That's not very significant in terms of numbers.

But we never said that it would be more than that.

■ In terms of the financing gap that you need to cover, $600 million is not very significant.

I don't see this year's or next year's foreign investment filling the financing gap. That's why we went to the IMF. We need the support of the international financial institutions for the next three years. That is the basic assumption on which we are planning. Foreign investment disbursements cannot simply replace the exceptional financing gap of about $3 billion that we are projecting.

■ Dr Singh, turning to the bank scam, the key question really after all the government has done in the wake of the scam being unearthed is: where does responsibility for this stop?

What has happened is a fraudulent collusion between certain bank officials and certain operators in the stockmarket. The primary responsibility for what has happened is that of the bank managements. There has been clearly a systems failure, a failure of the internal control mechanisms. Therefore, we need to have a fresh look at the internal control mechanisms in the banking system. It has made me intensely sad that the State Bank of India (SBI), which was the pride of India, should be found wanting in that.

■ The institution charged with ensuring that systems failures don't occur is the Reserve Bank of India (RBI). The question that necessarily must be asked is, what is the RBI's responsibility?

The RBI has the responsibility for inspecting banks. It conducts a detailed inspection every four years. They do conduct a financial review every second year or every year.

■ But those are routine checks. When the RBI knew last year that something was wrong, it could have increased the degree of inspection. It has provisions for that.

Ex post facto, one can always say that inspection could have been more intense. When a murder takes place people say, well, this murder could

have been avoided. It is certainly true that with greater vigilance... One can build many hypotheses. But you have to look at the human institutions and the actions of individuals ex-ante.

The RBI did face certain tendencies, bankers' receipts had been misused, and it issued a circular when it noticed (this). It also got compliance reports from the SBI, from Standard Chartered Bank, that these banks had looked into this, that all these things would not be repeated, and that the treasury operations of the banks would be conducted in accordance with the guidelines. Again, in February, the RBI looked at the Bank of Karad. It also looked at one or two (other) banks. It found that these irregularities were persisting, but the magnitude of the problem became apparent only when it looked at the SBI. So there is no evidence to say that the RBI has been negligent.

■ You're saying that there's no evidence even of negligence.

After having got the compliance reports, when the SBI management said that it was compliant, what could they do?

■ The RBI knew on a continuing basis that something was wrong.

Therefore, the RBI again started looking at the whole thing from January onwards. Between July and January... Unless you say that the central bank of the country should be doing detailed, micro management. That is simply not possible.

■ But where does constructive responsibility stop?

Personally, I think it's a case of fraudulent collaboration between various bank functionaries and those who operate in the stockmarkets.

■ Is it true that you had offered to step down, in the early stages of this, to the prime minister?

I would not like to discuss with you what goes on between me and the prime minister.

■ Is it true that the RBI governor offered to you to step down?

I would not like to go into those issues.

■ The demand has been made on both counts. What is your response?

I would not like the RBI to be a subject of controversy. Banking rests on trust and confidence. It is our collective national responsibility to ensure that we do not do or say anything which brings the RBI into disrepute.



It is true that, at the instance of a member of the planning commission, Harshad Mehta met the finance secretary and he (Mehta) told him what he thought was the way out of the IMF trap. He said you have to develop India's capital markets so that a lot of foreign money can come in

Individuals are important, but institutions are far more important. And India's national interests demand that nothing should be done to hurt the image, the prestige of and confidence in the RBI, both in India and abroad.

■ There has been a great deal of speculation that one of your ministerial colleagues in the finance ministry was involved in some way. Have you looked into this?

Whatever the newspapers have published... there's no truth in that. For example, one newspaper reported that the son-in-law of one of the ministers of state in the ministry of finance worked at Standard Chartered. I've been told that there's no truth in that. Whatever verification I have done does not substantiate any of these insinuations.

■ The second point that has been made is that a week before the budget, Harshad Mehta was meeting and advising officials in the finance ministry on what to do with the capital market.

I was not aware of this. I did ask the finance secretary about this recently. It is true that, at the instance of a member of the planning commission, Harshad Mehta met the finance secretary and he (Mehta) told him what he thought was the way out of the IMF trap. He said you have to develop India's capital markets so that a lot of foreign money can come in, and that you wouldn't need this $3 billion from the IMF.

■ What this seems to suggest is that Harshad Mehta did have support from the echelons of power in New Delhi.

There is no evidence to suggest (this).

■ You mentioned a member of the planning commission.

But he merely said that you should listen to a point of view. I listen to several points of view. I go to Bombay, (and) these days I am frightened of being photographed in the company of unknown people (laughs). In my public life I meet so many people. I don't know whether this will be misconstrued as my being chummy with somebody or the other. I don't think there's anything wrong in meeting anybody. If anybody says that he has a point of view and he is a citizen of this country, I don't see any impropriety in meeting him.

Some newspaper published a report that Harshad Mehta travelled with me! Even after contradicting that — I found the editor of *Blitz* had the courtesy to contradict that — a Calcutta-datelined report inside said that Harshad Mehta was sitting in the

finance minister's office. Now I can't go on contradicting all these things. Basic decency seems to have disappeared in reporting on these things.

■ What are the lessons to be learnt from the scam, and what action are you going to take, apart from setting up special courts and ordering CBI investigations and all that?

Our basic task is to see that internal control mechanisms in the banking system are not as fragile as they have turned out to be. Secondly, we also need to strengthen the supervisory mechanisms.

I do admit that, ex post facto, there are certain weaknesses in the RBI structure. For example, the functioning of the Public Debt Office. The number of transactions has increased to a point where the old manual methods of reconciling the SGL (subsidiary general ledger) accounts are not proving adequate to the task. I have said before that — and I repeat this — computerisation cannot prevent frauds. But I think with computerisation, with earlier reconciliation (of accounts), some of these frauds could have been detected earlier. So we need to strengthen the RBI's inspection machinery.

It is in that context that I wrote to the RBI as early as August — I recorded a note on 18 August — that frauds in the banking system were bound to increase, that the RBI ought to set up a group to look at bank frauds. They did set up a group. I think the deputy governor in charge retired. They've not been able to complete their work.

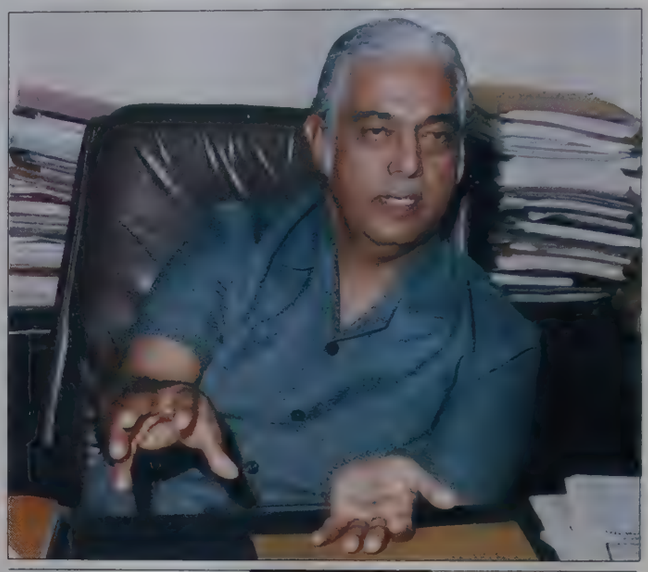
But let me also be candid. People mostly thought frauds occur in credit transactions. Nobody could imagine that the treasury function of the banks would be misused in the manner in which it has. This was the weak point of the banking system — the treasury management function.

■ Apart from the systems failure, there seems to be a basic problem about the character of very senior banking officials and their susceptibility to being corrupt. What does this say about people manning the country's banking system?

Let us not say that everybody in our country...

■ But you've arrested so many people, they seem to have been in cahoots, to have been indulging in forgery. They faked numbers and documents. And at those levels.

It makes me very sad. In this particular case the SBI, the National Housing Bank (NHB), two small banks, Canfina, and then of course Standard Chartered (were involved). But the Indian banking system is far more extensive. I think there is ample evidence to show that most other banks seem to be unaffected.



Mr Pherwani only came to see me once, when all this happened. I had only one meeting. He had no defence. He did not deny any transactions. When that was established, I said that was enough, that he should go

■ Did Mr M.J. Pherwani (the late NHB chief) come to you and deny that the NHB was involved when you asked him whether this was the case?

Mr Pherwani only came to see me once, when all this happened. I had only one meeting.

■ But did he deny that NHB was involved?

I think he denied some things to the (RBI) governor, but when he came to me he said that these transactions had actually taken place. Though, of course, he said he was not aware of them.

■ So, he had no defence, is it?

He had no defence. He did not deny any transactions. When that was established, I said that was enough, that he should go.

■ Do you think the bank unions will drop their opposition to full-scale computerisation?

I am hopeful, I am hopeful. I have great faith in the patriotism of all segments of thinking opinion in our country. I know some CPI(M) members also feel we must push computerisation at a faster pace. I therefore hope that as soon as this present, unfortunate aberration (is over), we can take those corrective measures that ensure that the Indian banking system, the capital markets, emerge from this crisis healthier, stronger.

■ On some specific sectoral issues, do you see Indian agriculture facing a fresh crisis? Procurement is down, stocks are down, prices are up, the monsoon is uncertain, imports are going to begin. Are we into a new phase of trouble in Indian agriculture?

In these matters there are cycles. Similar views were expressed in the early eighties also. And then, one good agricultural year (arrived) and that pessimism melted. There are trouble spots in Indian agriculture. The Indian credit system, the agricultural credit system, had suffered a haemorrhage after what the National Front government did.

■ But apart from that, there seems to be a longer-term problem: the money that's going into the agricultural sector is going in as subsidies and not as investment. Investment in agriculture is getting static.

I said in my budget speech that the fertiliser subsidy in 1980-81 was about 11% of the total plan outlay on

rural development. Today it has gone up to over 33%. So there is certainly a problem there. Similarly, there are problems in our agricultural research system. We need to revitalise our research system, the credit system, and also irrigation. This brings me back to the credit system because if minor irrigation is going to be more important than ever before, that's very intimately linked with the health of the agricultural credit system.

■ We seem to move only if the Fund and Bank are pointing a gun at our heads. Nothing has been done on education. Family education is essential if you want to improve the quality of your human beings. Nothing is being done on it — whether it's money, schemes or Operation Blackboard. There's just no initiative.

I don't buy the argument that we only move at the bidding of foreign or international institutions. I can assure you that when we talk of structural reforms, we have emphasised macrdeconomic imbalances, trade policy reforms, industrial policy reforms because these are today the macroeconomic constraints. But the purpose of all this is essentially to see that our country can spend more over a period of time on agriculture, on social services and on improving the quality of living. After all, what is development? Development is not about goods and services. Development is about people. And, therefore, about our people eating better.

■ That is true. But nothing's being done.

One year is too short a period of time (to judge us). We were fighting an acute crisis — the collapse of the fiscal system, the collapse of the external... There was no other way in which we could deal with these problems except by cutting expenditure. But if India's fiscal system gets into good shape as I expect it to in two years' time, I would have greater manoeuvrability. Last year, I abolished the export subsidy but had to continue to pay Rs 600-700 crore. Next year, there will not be that problem. This year, I have to provide Rs 1,500 crore for payments to the banks on account of the write-off of bank loans. Next year, I will not have that burden. So if the fiscal correction does take place, the manoeuvrability of the government to spend more on agriculture, to spend more on social services, will increase. And that's precisely our intention. Today our hands are tied. Those who say, you have cut social services, I ask them, what are our options? I cannot cut defence expenditure beyond a point. I cannot cut administrative expenditures in the government unless I am willing to have a wage freeze or a dearness allowance freeze.

■ Well, that was the proposal.

That's not a feasible proposal.

■ The government's policy on public sector reform seems to be limited to selling some equity and referring sick units to the BIFR. Isn't there a much broader case for reform?

Of course there is a much broader case.

■ But nothing again seems to be happening.

You shouldn't judge the government too harshly because we've been in office for only 12 months. All these issues about how top-level people should be appointed, what should be the zone of selection — on all these matters there has been discussion. In the coming months, I think you will see some thinking on these matters.

■ We had an all-India strike just the other day. In several countries where reforms programmes were launched, the government had at some point to take on the unions and tame them in order to get ahead with reform. Do you see that having to be done here?

I hope we won't have to do that. This was a political strike. It had no basis because we had said that we would fully take into account the interests of the organised working classes in formulating our economic policy. I sincerely hope that we will not go on the route of confrontation with the organised working classes.

■ You might just hamstring yourself as a result, isn't it?

We will cross that bridge when we reach it. As of now, I am confident that we can implement reforms with the willing cooperation of all sections of our society. Therefore, I don't want to build an atmosphere of confrontation with the workers. There are genuine misgivings in their minds. In an economy in which employment is not growing fast enough, the fear that a particular unit may close down is genuine. Our approach is to tackle these fears, to convince people that these fears are misplaced, that we will have credible social safety nets to take care of the genuine interests of the workers. Wherever workers get displaced, we will redeploy them, we will retrain them. Those who cannot do anything — we will give them compensation which will protect their livelihood. This takes time. I am convinced that at the end of it we will find an Indian solution to the problem.

I would not like the RBI to be a subject of controversy. It is our collective national responsibility to ensure that we do not do or say anything that brings the RBI into disrepute



■ But you are behind schedule on reforming laws and legislation in this whole area. That seems to suggest some degree of diffidence on the part of the government to take on what is needed.

No, no. We are not behind (schedule).

■ You told the World Bank that you would do it by May.

We have amended the BIFR, we

said that we will let the BIFR have a look at all these cases. That process has been completed. We are not behind in any of our commitments.

■ But is the report of the inter-ministerial committee on this issue being considered?

The only commitment we had in the letter of intent (to the IMF) was to appoint this committee.

■ Is that a case of clever drafting?

I don't know.

■ But are you slowing down disbursal of tax revenue to states? This is what the states seem to think.

That's not true. This year we have put a lot of squeeze on the central sector, but in terms of assistance to state plans we have not in any way allowed our financial difficulties to come in the way of stepping up central assistance to the states. Also, states' market borrowings have substantially increased while the central government is trying to cut market borrowings. The fact is that in the eighties, several state governments went on this borrowing route — small savings, provident funds and other routes. These are very expensive ways of financing development. And many of the states are simply financing current expenditure — wages and salaries — through these mechanisms.

Therefore, there has to be a structural adjustment in the states. There is inadequate recognition of that in the state sector, and the sooner they do it the better for all concerned.

■ For a long time, we had been resisting pressure from the World Bank to completely deregulate the consumer goods sector. But we seem to have begun action on that front by delicensing consumer goods and automobiles. Is there a change in government policy on this issue?

No, on consumer goods — whether it is import of consumer goods or delicensing — we deliberately want that, but over a period of time. We have effective instruments outside the area of licensing, outside the area of import controls, to regulate these sectors. So we don't need import controls or industrial licensing. If we want to discourage the consumption of luxury goods, the fiscal system can do the job.

■ You are moving to a system of moderate tax rates. So you can't really use the fiscal system beyond a point.

Look at the value-added tax system that prevails in Europe. You have tobacco, liquor — they are taxed at much different rates than the normal rate of taxation. So we don't need industrial licensing or import controls to restrict or discourage the consumption of consumer goods.



You shouldn't judge the government too harshly because we've been in office for only 12 months

■ Do you see the inflow of NRI (non-resident Indian) funds slowing down?

NRIs have made handsome contributions. The fact that India Development Bonds were such a success...

■ Apparently, after that there is some slowdown and perhaps even some money going out.

Personally, I'm not very keen to have FCNR (foreign currency non-resident) deposits. There's a lot of risk in that. So I've not been very keen that this portfolio should be enlarged. We will launch another series of India Development Bonds. That's a much more secure way of mobilising non-resident funds.

■ When will you do that?

As soon as we can complete the various formalities.

■ So that will get you another couple of million dollars.

Depends on what response we get. I expect a good response.

■ Better than last time?

I don't know. In these matters I think one can't really say.

■ What signals do you read from the fact that our international credit rating has still not improved despite all that has happened?

Nothing much. I think investors, bankers, by definition are very cautious, conservative. They have burned their fingers in many other countries. So they like to be doubly cautious. But the very fact that our programme has been endorsed by the executive board of the IMF — that itself provides enough assurance to the world community that India takes reforms seriously.

■ Would you rule out the creation of fresh private banks?

I don't rule out anything.

■ In the post-scam climate?

The scam should not be used as an occasion to say the private sector is bad or that the public sector is bad. We had the biggest public sector bank in India, the SBI, involved. We have reputed foreign banks involved, we have two small private sector banks involved. So it does not prove, I think, that the private sector is bad or good.

■ It proves the point that the private sector is not better than the public sector.

That's certainly true. We are Indians (grins).

■ Where do you think the stockmarkets are heading after the scam?

The stockmarkets will emerge out of this crisis healthier — a stockmarket in which investors have much greater confidence, a stockmarket which will give greater freedom to those who operate, at the same time a market in which there will be much stronger, more effective prudential regulation.

■ Do you see the index falling further?

I won't comment on that.

COPING WITH THE NERVOUS NINETIES

The Indian corporate sector gears up to meet new challenges.

Already they're billing it as the nervous nineties. After years of splashing about in the shallows with a secure lifebelt around its waist, the Indian corporate sector has now been shoved into the deep end of the pool. With no lifebelt and two simple, if stark, alternatives: swim or sink.

If the eighties was the age of dependence, the nineties will be the decade of survival. If the eighties were easy, sheltered years, where the government controlled as well as protected Indian businesses, the nineties are going to be a rough, vulnerable period, when the government will neither be holding their hands nor dictating the terms.

Take a look back at the eighties, a decade when the Indian corporate sector actually came into its own. Also a decade when Indian companies learnt to live with stringent controls. Indian entrepreneurs got used to industrial licensing, government-determined capacities of production, acutely restrictive anti-monopoly rules which checked how big one could grow or at what prices products could be sold.

But then it was also a decade when Indian business learnt to thrive on easy street. Stringent licensing norms for almost every sector in industry meant cushy protected empires for big business houses, where entry was restricted; where foreign companies, particularly the multinationals, were considered big and bad. And were, therefore, kept out. As a consequence, the few lucky Indian businesses armed with their privileged licences thrived. With restricted competition and strong barriers to entry, the obvious happened. For most manufacturing sectors, it was a sellers' market; no compulsions to upgrade quality; no pressures to give the consumer the best. In short, inefficiencies crept in. And remained.

In fact, big business had got so used to protection — indeed, it probably believed that such an environment would last forever — that even in the late eighties, when Indian business lobbies clamoured for decontrol, those pleas were tinged with the hope that the government wouldn't go all the way. But it happened. Ever since last July, when the government finally announced its economic reforms and a new economic policy, the changes have been sweeping — large-scale delicensing, price deregulation for key sectors, opening up of areas which were banned for the private sector, an open wooing of foreign investment, the works.



MAHINDRA: *Concentrating on core businesses*

But today, the Indian corporate sector suddenly finds itself in the deep end of the pool. And while it still bobs up and down gasping for air and trying out clumsy thrashing strokes, the question uppermost in everyone's minds is: will the corporate sector cope with the nervous nineties?

Look at what it faces first. After years of lording over small, secure fiefdoms, companies today face increasing competition from new entrants; the few large sprawling and often haphazardly diversified empires face attacks at their flanks, perhaps from smaller, meaner new entrants. That's not all. Competition threatens from overseas as well. With the government making foreign investment in India attractive and relaxing its stand on foreign stakes in Indian companies, the flow of investment from MNCs has already begun. Can Indian business take on the challenge?

But it isn't competition alone that stares Indian companies in the face. It's their very viability which is being questioned today. In the licensed regime, capacities and sizes of plants that were set up were controlled by a government, motivated by fuzzy ideals based on socialist goals. Today, several companies, faced with the imperatives of globalisation and market-driven objectives, could find those capacities hopelessly out of sync with economic realities. What will they do?

Then there are some others, who have grown into bloated empires more because licences were available in certain areas rather than because it made corporate sense to get into them. They may find it no longer feasible to continue some of their activities. What will they decide to do?

DIFFERENT STROKES

For Indian companies, the nineties could well be the decade of reckoning. With sweeping changes taking place in the economy — deregulation, delicensing and opening up the doors to foreign investment — they will have to come to grips with an environment entirely different from the past. For some, increased competition will mean shoring up their strengths and consolidating their core businesses. For others, it will mean ruthless rethinking on which businesses to keep and which to hive off. Here's how a few majors in various industries hope to survive in the nineties:

At the Rs 2,600 crore **RPG Enterprises**, the accent for the nineties seems to be on synergies. The group, which grew through a spate of takeovers in the eighties, is now planning consolidation. The reason: the rash of takeovers had led to a somewhat haphazard growth with the group perhaps more preoccupied with taking over companies rather than exploiting intra-group synergies. Says chairman Harsh Goenka: "All our future growth will have to be synergetic to existing businesses."

A couple of years back, for instance, RPG merged the ailing electronics company Murphy with Ceat, the profitable tyre maker. Ostensibly it was a bid to resuscitate the sick Murphy. Today, with protective barriers fast collapsing, RPG Enterprises has seen the writing on the wall. Instead of bail-out measures like the Murphy merger, it is focusing sharply on areas where its strengths and synergies lie. Result: the group is regrouping; and concentrating on four major core areas: tyres, rubber and allied businesses, power, electronics and chemicals.

Unlike the RPG group which grew mainly through takeovers, **Aditya Vikram Birla's empire** has always stressed on greenfield projects. Today, the Big Birla has interests in fibres, cement, chemicals, textiles, sponge iron and now oil refining. Birla, obviously, is one of the few Indian corporate strategists who had his plans in place long before liberalisation took place. His gameplan is summed up by what he told *BusinessWorld* some months ago (see *BW* 8-21 April). Asked why he had diversified into seemingly unrelated areas, Birla said: "These are all basic to the requirements of the country. We cannot go wrong as far as demand for these (products) is concerned, provided we give good quality." Small wonder then that in the nineties Birla will be consolidating his core group activities, expanding existing capacities and building on his strengths.



AMBANI: *Banking on integration*

If Birla's focus is on unrelated, yet high-potential core areas, **Dhirubhai Ambani** firmly believes in integration. Through the eighties, Reliance's strategy has been to integrate: both backward and forward. From an entry into textile manufacturing, the shrewd strategist went a step backward to yarn and fibre manufacture. Then another step backward to manufacturing intermediate chemicals like PTA and MEG for synthetic yarn manufacture. From there on to an ethylene cracker for basic petrochemicals manufacture.

Today, Ambani is linking up his existing activities through further integration. First, he's setting up a Rs 4,500 crore, 9 million tonnes per annum (tpa) oil refinery with C. Itoh of Japan. Second, he's diversifying into commodity plastics like PVC, polyethylene and polypropylene, which can be manufactured from the basic petrochemicals.

If that were not enough, Ambani has also spawned global ambitions: he has set up an international trading house — Reliance Europe — to trade globally in yarn as well as other commodities.

You needn't be an Ambani to have global desires. Ahmedabad-based **Sanjay Lalbhai's** Rs 240 crore Arvind group is going global in the nineties with singlemindedness. The flagship Arvind Mills recently took over two sick Gujarat cotton mills. Arvind is pumping in equity to revamp the two units and upgrade technology so that the product profile of the group changes from low value-added bottom-of-the-rung fabrics to top-of-the-line world-class products.

Lalbhai's sights for the nineties are clearly on exports. His main market: the united Europe. Already, Arvind is the leading denim exporter in India. And now it's following it up with plans to export high-quality cotton shirtings. Lalbhai's target: in 1991-92, over 36% of his turnover came from exports, while 64% was from domestic sales; by 1995, he plans to reverse the proportion.

To beat the European Community's (EC's) quota system,

Lalbhai's chalking out his global plans. On the cards is an offshore weaving base in Tunisia, Malta, Cyprus or Portugal — all signatories of the Lome Convention which gives them special treatment from the EC.

At the Rs 400 crore Delhi-headquartered **Eicher** group, the strategy for the coming years is a lot different: achieve an edge in the Indian market and then go for exports. With limits on the size of tractors and trucks it builds now gone, Eicher's strategy is to quickly add to its product range in a bid to straddle the marketplace. While Eicher is busy identifying foreign collaborators for larger-sized tractors (today it manufactures the 30-35 hp models) and trucks (today's product line: LCVs), for its existing product range it is furiously going in for in-house R&D to improve and add on product features. That plus an accent on exports. Its modus operandi has been strategic takeovers: Ramon & Demm which makes gears and a hand tools unit in Bhiwadi. Both are expected to provide a boost to the group's component exports, particularly to Japan, Indonesia and other southeast Asian markets. Its targets: to take this year's exports of Rs 22 crore to Rs 100 crore in the next couple of years.

For the **Thapar** group, with its vast and varied array of 65 companies, the decade will witness consolidation of businesses. Says joint managing director of Thapar flagship Ballarpur Industries Vikram Thapar: "We may look at merging some of our related businesses, for instance in paper."

But more than strategic mergers of existing activities, the Thapars are consciously re-focusing their plans for the nineties. With high interest costs staring the corporate sector in the face, it isn't surprising that the Thapars are looking at less capital-intensive projects. And offbeat ones as well. Vikram Thapar has recently flagged off The Waterbase, an export-oriented aquaculture project. On the cards are forays into more unlikely areas. Sample: floriculture and horticulture. Says Thapar: "Diversifications now have to be more carefully planned than ever."

At Bombay-headquartered **Hindustan Lever** the process of decentralisation is still on. The group has already made a beginning of farming out production of low value-added items, and the accent now is on decentralising production to cut distribution costs. The thinking is to go in for acquisitions whenever possible and reorganise group business which might even lead to mergers.

Here's what some others are planning:

Carona. Cut costs of production by reducing workforce and updating technology, create a leaner organisation.

Apple Industries. Go in for strategic alliances with others, decentralise operations.

Marico Industries. Cut costs, go public, formulate aggressive policies to hire and retain people, discourage diversification in unrelated areas.

Modi Alkalies & Chemicals. Expand only in related businesses, hike capacities to international sizes, look for takeovers, stress more on marketing rather than production.

Blow Plast. Set up dedicated plants for exports, float joint ventures abroad, go in for vertical integration.

Bajaj Electricals. Upgrade technology through foreign tieups, strengthen distribution and improve customer orientation.

Blue Star. Reduce costs, export aggressively, have tight inventory control.

Mahindra & Mahindra. Dispose of businesses which are not globally competitive, go in for new technology through foreign tieups, identify new areas like food processing, financial services and information business as areas of growth in the nineties.

Mukand. Modernise plants to international standards, restructure the organisation to make it more responsive to competition, shift from debt to equity.

LALBHAI: *Exports is his thing*





BIRLA: *The greenfield route*

SPOTLIGHT

If the eighties was the era of routine complacence, the nineties then is clearly the decade of tough decisions. Decisions which could turn corporate logic of the eighties on its head.

Already Indian businessmen are refocusing their strategies (see box). Says managing director of the Delhi-based Eicher group Subodh Bhargava: "In the eighties, the task was over when you finally got your licence. In today's new scenario, corporate talents and strategy come in at the very beginning, at the commitment stage." That clearly rules out the helter-skelter kind of expansion and diversification that the eighties witnessed. Says the earthy, homegrown Delhi-based industrialist Raunaq Singh: "You won't see the kind of herd mentality that you did in the past. Entrepreneurs won't blindly rush into areas just because others are making money there." As if to prove the point, Mukesh Jain, managing director of the successful Pasupati Acrylon (an acrylic fibre project) is steering his company into uncharted terrain. "We are taking risks and diversifying into untried areas." On his map are projects to make silicon, hi-tech proteins for cattlefeed and other speciality niche products.

The prescription for the nineties will involve closer, harder thinking. Already corporate majors are thinking quite differently. Says veteran industrialist Keshub Mahindra: "Now companies will have no option but to become internationally competitive in terms of cost, quality and work habits." What companies have to realise now is the pressures of competition. And opening up the economy means competition not only from domestic players but also from outside. Comments Ballarpur Industries joint managing director Vikram Thapar: "Earlier you had to compete with Mr Tata and Mr Birla. Now you'll be competing with Mr Tata, Mr Birla and a whole host of others." Says Mukand executive director Rajesh Shah: "Indian companies are now under pressure to catch up with the world."

BHARGAVA: *The focus needs to be changed, says he*





HARSH GOENKA: *Looking at synergies*

But that's easier said than done. Just how are Indian companies, decades behind the developed world, going to catch up.

■ **Thinking big.** For starters, Indian companies have to break out of the syndrome of "Indian scale" operations. Says Delhi-based management consultant Sanjiwan Sahni: "In order to survive in the changing scenario, companies will have to achieve international levels." In the protected past, Indian industrialists had got used to setting up small plants (albeit dictated by government licences). Says another Delhi-based consultant: "Earlier, a large cement plant in India meant a capacity of a million tonnes, while globally, the economic size could be double that." But today, Indian companies just cannot afford to build small plants. "You have to go for global scaling of your capacities, at least in the long term," says Thapar. "Earlier, you could build a 40-50,000 tonne chemical plant and sit pretty. Today, you've got to think of world class standards — 1 lakh tonnes or more."

That's the writing on the wall. And many have been quick to respond. Says Modi Alkalies & Chemicals managing director Y.K. Modi: "In the nineties, if you're not big enough, you'll be out of the market." In the next four years, Modi's company is doubling its caustic soda capacity from the present 60,000 tonnes to 1.20 lakh tonnes to bring it on a par with global standards. Says Raunaq Singh: "We've opened up now and competition is bound to come from international players. So we have to be ready with our strategies. Planning big is going to be a key factor."

Big's not the only buzzword though. As things get tough in the marketplace, companies have to think ahead. "While world-class scales will provide cost-competitiveness, in order to emerge as leaders, companies will also have to think about integration," says Sahni. Take petrochemicals or chemicals, for instance. Those players who recognise forward and backward linkages and go for integration are the ones most likely to survive in the nineties. Among those who've seized the opportunity already is Dhirubhai Ambani. The canny Ambani's growth has none of the ad hocism that many other Indian business houses display. Starting with textiles in the late sixties, Ambani today straddles a carefully planned empire where expansion and diversification has always been focused and integrally linked (see box).

Other players in the chemicals sector have not missed the point either.

Example: Y.K. Modi's Modi Alkalies is today focusing on forward integration. From caustic soda manufacture, Modi's company is getting into the manufacture of chemicals using caustic soda: ethylene dichloride, aluminium chloride, polyvinyl chloride. That's not all. Modi's also conjuring up backward integration plans. Next on the cards is a salt unit. "The basic reason," says he, "is value addition to products where there is more money. So our bottomlines are better."

■ **Going for synergies.** With the era of the licence raj over, corporate growth patterns too are in for a change. In the straitjacketed eighties, corporate majors often grew, not by choice — but by licences! As all sectors of industry were not open to everyone, instead of market-dictated areas, often companies had no choice but to enter areas for which licences could be easily obtained. And other than applying for licences themselves these could be through joint ventures with state-owned industrial corporations or through takeovers. "In the eighties because of the licensing policy we went into areas which were open. Telecom was open — so we got in," says Mahindra. Restrictions on entry also led to the herd syndrome. For instance, in the mid-eighties a swarm of entrepreneurs rushed into jelly-filled telecommunication cable manufacture. The reason: licences were easily available, through joint sector ventures or otherwise. Today, many of them find their capacities restrictive and costs of operation prohibitive.

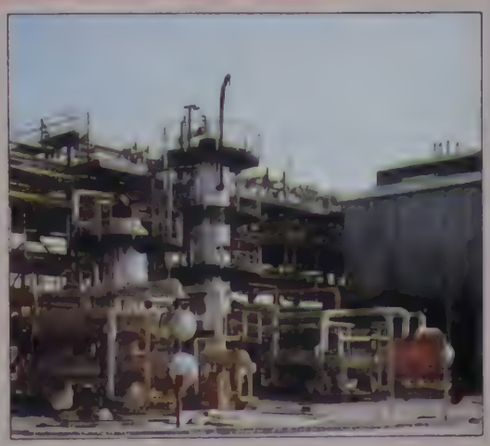
Majors like the R.P. Goenka group, for instance, grew in the eighties through a rash of takeovers, many of them in diverse areas. Today, after not-so-happy experiences in some of those ventures, the group is doing some serious rethinking. Says RPG Enterprises chairman Harsh Goenka: "In the eighties the emphasis was on acquisitions wherever the opportunity arose. Today, we are examining our existing product lines and analysing whether manufacturing them makes sense or not." Already the high-powered think-tank at RPG Enterprises is charting out regrouping strategies (see box),and plans are afoot to get out of areas where there's no competitive advantage.

RPG is not the only one looking at synergies and building on strengths.

PRESCRIPTIONS FOR SURVIVAL

BusinessWorld spoke to industrialists and management consultants to get their views on how different industries would have to respond to the changes. Here are prescriptions for three sectors:

Continuous process industry (for example, chemicals):



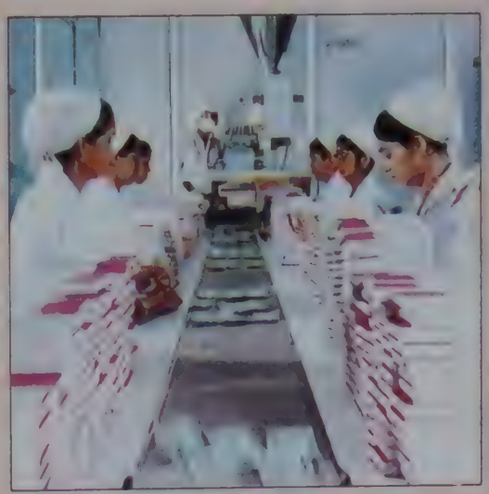
Big players will have to:

■ Expand scale of operation to international standards.
■ Upgrade quality through strategic foreign collaborations.
■ Integrate backward to ensure cost-competitiveness.

For small players, the options are clear:

■ Concentrate on peripheral products.
■ Become niche players in speciality products.

Pharmaceutical industry:



Big players will have to:

■ Compete with MNCs which will have a branding advantage in the marketplace.
■ Go in for strategic tieups with MNCs for technology and patents.
■ Offer their distribution network as a USP to MNCs.

Small players will most likely:

■ Concentrate on non-patented products.
■ Become ancillaries for big Indian companies and MNCs.

Engineering industry:



Big players will have to:

■ Concentrate on areas where batch quality products are needed globally.
■ Design and produce to international standard tolerances.
■ Get into technological tieups and buyback arrangements with MNCs.

Small players may have to:

■ Resort to ancillarisation.
■ Upgrade technology by tying up with large players.

Mahindra & Mahindra (M&M) is another major which is concentrating on its core businesses. Sometime back, M&M hived off its stake in Calcutta-based electronic and manual typewriter company Remington Rand. More recently it sold off its oilfield services division. "We have singled out both automobiles and tractors as areas which lend themselves to meet international competition," says chairman Keshub Mahindra.

That's not to say that diversifications, mergers and acquisitions will not be a part of the corporate strategies for the nineties. Most certainly they will. But the focus will be much sharper. "With liberalisation, the impulse to get into unrelated diversifications will reduce," predicts Mahindra. Perhaps to drive home the point, multinational Hindustan Lever has already begun doing exactly that. For Levers' group companies Lipton and Brooke Bond, which have embarked on diversifications into the foods business, strategic takeovers have begun. Says a Levers official: "In the nineties, there will be more acquisitions for us. Lipton, for instance, has already taken over Kothari General Foods, and Brooke Bond has struck a deal with the UB group's Kissan as part of this strategy." Even big brother Levers recently acquired Shivalik Cellulose in Uttar Pradesh, a sick soap unit, to augment and expand its capacity.



THAPAR: *Global designs*

■ **Strategic tieups.** If synergy is in, so is technology. With words like 'globalisation,' 'economies of scale,' 'competitiveness' flying thick and fast, the nineties will witness Indian companies charging full steam towards superior technology. And more often than not, this will mean foreign collaborations. Says Union Carbide chairman & managing director V.P. Gokhale: "Wherever the state of local technology is recognised as being inferior to world standards, it will be essential to enter into strategic alliances with international companies, both for access to knowhow and for product buyback, since in most cases Indian industry will neither have the time nor the resources to catch up with global competition."

MARIWALA: *Cutting costs*



Gokhale's observations couldn't have come sooner. There's been a sea change in Indian business' attitudes towards the big bad multinational. Take a trip back to the late eighties, when Pepsi was straining to enter the Indian market. And India's soft drinks don Ramesh Chauhan moved heaven and earth to stymie the fizz giant. In contrast, consider Coca-Cola's quiet, almost anti-climatic entry into India this year, when even Chauhan failed to rise to the occasion. "The fear of the multinational is on the wane," says a Delhi-based industrialist. "On the other hand, Indian businessmen have learnt to accept the realities of the day." In any case, there are means to protect ownership too. Says Vikram Thapar: "When you go out there and say 'I am looking for a foreign partner,' they're going to ask you for a 25% stake in the venture. If you can't offer them that kind of a stake in your existing company for fear of diluting your own control, open up joint ventures."

The days of MNC-phobia are perhaps coming to an end. Consider the number of companies who don't mind letting foreign majors pick up substantial stakes in their companies (or new ventures). IBM, for instance, has a 50% equity in its collaboration with the Tatas; when BMW and Escorts forged a deal, the Delhi-based Nandas, who own a small stake in their company, did not mind setting up a joint venture in which BMW will have a substantial stake; B.K. Modi didn't mind a majority stake for Alcatel in his joint venture with the French telecom giant. The moral: get into tieups to improve technology even if that means diluting control over companies.

The fear of losing control over long-cherished fiefdoms may not be a major consideration for most companies. But what clinches the deal for foreign collaborations today is the imperative to upgrade technologies. Says Thapar: "In the end, it is he who builds the better mousetrap who makes the money."

While big groups like the Tatas, Birlas and Reliance are busy cobbling together their tieups with international leaders, the smaller players are not far behind. And even they are netting in the big fish. "You just have to be ready for the nineties," says management consultant Sahni (quoted earlier). Consider some examples: The Rs 170 crore Bombay-based Apar group is setting up a joint venture with $60 billion giant General Electric; the Delhi-based Jagatjit Industries is jockeying for a tieup with cereal giant Kellogg's; Bombay-headquartered Carona is upgrading technology with a Korean partner; the Marico group has roped in world leader McCormick for a Kerala-based speciality chemicals and fragrances venture; the fledgling Asian Cans group has tied up with

Carlsberg for brewing and marketing the world's leading beer. And mind you, these are just samplers. There are scores of other small- and medium-sized companies scouring the horizon for strategic alliances.

■ **Belt tightening.** As competition acquires a new dimension in the nineties and monopolies start breaking up, the Indian corporate sector will have to become cost-effective. In fact, some companies have identified cost reduction as their main strategy in the nineties. Says Blue Star vice-president (corporate planning) Ashok K. Sharma: "Cost reduction will be crucial for us in the nineties. Our target is to beat inflation in material costs by reducing costs." In the eighties, most Indian companies adopted a cost-plus strategy. "The idea," says Sharma, "was to produce more as everything was sold. And an increase in costs hardly mattered because it was passed on to the consumer." Today, with the pressures of competition, things have totally changed. Instead of working ahead as in a cost-plus strategy, companies have to work backwards: find out what price the market can accept and then work backwards by cutting costs so that the product can be supplied at the price the consumers are ready to pay.

Cost-cutting strategies are probably going to be most important for consumer product (durables as well as non-durables) companies. Says Harsh Mariwala, managing director of Bombay-based Marico (owners of the Parachute brand of coconut oil): "Unless we improve our cost structure we could be hit by others." Marico's strategy: to quickly identify areas where costs could be reduced. Sometimes these are small areas but with big gains. For instance, Marico is reducing the weight of each of its plastic packages for its oils by a gram. The saving: Rs 40 lakh annually. Second, it's getting copra directly from the producers in Kerala, instead of routing them through middlemen. "We've identified 40 areas for cost reduction. Some of these would have been unheard of in the eighties," says Mariwala. His company's target: reduce costs annually by one per cent in the nineties. In fact, Mariwala has institutionalised cost reduction. Says he: "As part of the programme, we have set up new departments to meet the challenges in the nineties." Among them are a materials planning department and a packaging development department.

Like Marico, home appliances and lampmaker, Bajaj Electricals is taking a hard look at costs in the nineties. Says Bajaj Electricals managing director Shekhar Bajaj: "Our main attempt in the nineties is to cut our distribution costs." Here's what Bajaj is doing: in the eighties the company had 4,000 dealers all over India. But nearly 50% of them sold an average of less than Rs 25,000 worth of Bajaj products annually. So Bajaj has now decided that all dealers who do less than Rs 1 lakh worth of business annually will be attached to bigger dealers. The gain: Bajaj will save on costs of servicing the small dealers.

■ **Export drive.** Selling to the world markets is going to be *de rigueur* for the corporate sector in the nineties. And there's almost unanimous agreement on this among companies. While every large company worth its name set up export divisions in the eighties — mostly to rake in tax-free earnings — in the nineties, exports are going to be imperative. The partial convertibility of the rupee, more than anything else, makes it a compulsion to go in for export drives. For some this translates into innovative diversification. Ballarpur Industries, for example, recently flagged off The Waterbase, a 100% export-oriented company to export marine products and foods. Companies like ITC and the Tatas have also zeroed in on seafood exports. Yet others like Dilip Piramal of Blow Plast are setting up dedicated plants in India to cater to the foreign markets. Says Piramal: "In the eighties, we were a domestic company exporting only 10% of our turnover. In the nineties we'll be looking at things more internationally."

An export drive could also translate into attitudinal changes. Says Rajesh Shah of Mukand (quoted earlier): "We have to change the way the senior management thinks. They now have to be more global-oriented." His strategy: to push executives to go ahead and export or create products which are needed in the world markets. Still others think alliances with foreign companies hold the key. Says Mafatlal Industries vice-chairman Hrishikesh Mafatlal: "We will give a major thrust to exports and tie up with foreign

How companies are held now:

■ **Historically low promoter's share in equity capital.**

■ **Majority held by financial institutions and company cross-holdings.**

RESTRUCTURING IN THE NINETIES

How they will be held in future:

■ **Either widely held companies where ownership and management are divorced (western model, for example, the US).**

■ **Or a scenario where business houses emerge stronger and hold majority stakes in the companies (eastern model, for example, Japan, Korea, etc).**

■ **A third variant: banks continue to be major shareholders but management is private (western model, for example, Germany).**

SPOTLIGHT

companies to market our products abroad."

Mafatlal's isn't an isolated case. Indeed, all the mega giants who've recently tied up with Indian companies are looking at sourcing products for the world market from India. Ford, for instance, has tied up with Maruti for a car radiator manufacturing project. While the products will be marketed in India, the thrust could be on exports. Similarly, Escorts and BMW have tied up for a motorcycles plant in India: while some bikes will be marketed in the country, BMW has a buyback arrangement with Escorts.



SINGH: *Thinking big*

Says consultant Sahni: "In the engineering and automotive sectors, in the medium term we aren't going to be able to deliver quality products on a mass scale, but that doesn't mean we can't supply the world batch production quantities tailored to meet international needs and standards."

When the going gets tough in the nineties, companies will have to evolve tough strategies for all their activities. In the marketplace as well as back home. One major trend of the nineties (which actually began in the eighties) is going to be the funds squeeze. As funds become scarce and costlier, companies will have to tighten their control over working capital funds. And that could mean sharper focus on materials management. Says Sharma of Blue Star: "There will be a shift in focus: from cost of materials to cost in materials."

MAFATLAL: *Export thrust*



In other words, rather than negotiating attractive discounts and prices for raw material purchase, companies will have to focus on inventory control. Adds Sharma: "Till now inventory management was a concern of the materials management department. In the nineties it's going to be mouthed at the corporate level."

Already companies are talking about Japanese style, 'Just-In-Time' (JIT) production, where raw material holding costs are reduced to the minimum. But for many of them, it's still only a fancy concept. Says DCM Shriram Industries joint managing director Tilak Dhar: "When you don't have efficient transportation systems, when a strike by truckers can throw you out of gear, how can you have something like JIT." Dhar, who is setting up a 500 tonne drug intermediate plant, had to buy cement three months before he needed it for building his factory. "I had to if I wanted to beat the price hikes and the uncertainties," says he.

The high cost of money will see new ways of sourcing investments too. With interest rates prohibitively high, the corporate sector is already depending on non-institutional finance. Says Dilip Piramal: "There'll be a shift: from debt in the eighties to equity in the eighties." In fact, the government's recent moves to liberalise sourcing money from the markets is one indication of the shift Piramal is predicting. But not everyone is happy about the pace of change in the financial sector. "We need much more liberalisation there," says a Delhi industrialist. In particular, companies want a more generous attitude from the government towards new instruments to raise money. "We should be looking at non-voting shares as a means of raising funds," says Thapar, citing examples of how multinationals do that in the west.

■ **The pitfalls.** Two years into the nineties, as Indian companies nervously await the future, there is a lot of optimism in the air. But in the background lurk fears and apprehensions. The government's initial gung-ho approach to liberalisation is today considerably tempered down. The long-awaited exit policy is yet to show signs of becoming a reality. Though many vital sectors of industry have been opened up through delicensing, doubts remain about several areas: passenger cars is one example; consumer goods another.

Predictably, the Indian corporate sector's response to such things is mixed. Some are proponents of one-stroke sweeping liberalisation. Says Thapar: "The main result of liberalisation is that the consumer is the beneficiary. And the government should maximise his benefit." Others feel the need for caution. Asks Hindustan Motor managing director Chandrakant Birla: "The passenger car market is so small in India, do you think there's room to sustain too many players?"

But the sceptics and the optimists share common ground. Everyone agrees that the nineties are going to be the toughest test for the corporate sector. When shakeouts and upheavals could be the order of the day. Says Thapar: "We'll see a bloodbath." Grimaces Raunaq Singh: "Many will die."

The choice then for Indian companies is clear: swim or sink.

□ Sanjoy Narayan in Delhi & Surajeet Das Gupta in Bombay

OPERATION CONTROVERSY

The Milk and Milk Products Order has sparked off a furore.

Operation Flood it certainly was, but of the wrong kind. Or so the government figured. As more than 500 applications to set up milk powder manufacturing plants flooded the food processing ministry after the dairy industry was delicensed last August, alarmed bureaucrats in the agriculture ministry moved swiftly to stem the rush. Their version of a dam: the Milk and Milk Products Order (MMPO) which treats liquid milk as an essential commodity.

The order has come into force, and dairies have to register themselves in 90 days, but it has already triggered off a furore among private dairy product manufacturers and traders. Several of them are banding together to form an association to fight the order, some producers' associations last month were threatening to stop milk supply to cities in protest against the denial of their right to choose their buyers, and the only dairy industry men with broad grins on their faces were those from the cooperatives.



PATEL: *Not a partisan order*

Officials in the department of dairy development explain that the order is designed to help prevent the diversion of liquid milk into the manufacture of high-profit dairy products. Explains D.C. Misra, joint secretary in charge of dairy development in the agriculture ministry who helped draft the MMPO: "Those 500-odd applications to set up powder plants scared us. If the limited quantity of milk at present available were diverted to the manufacture of high-value dairy products, we would have been faced with an artificial scarcity of liquid milk. We wanted to ensure that a sufficient quantity of liquid milk was available to satisfy the requirements of our cities and towns."

Sweeping powers. But what the MMPO also does is bring back controls into the dairy industry (see chart). Although the order avoids any mention of licensing, dairies dealing with more than 10,000 litres of milk a day or containing more than 500 tonnes of milk solids per annum now have to be registered. More important, this means that dairies can now buy milk only from areas specified on the registration certificate, to a maximum of the quantity specified. And the government has retained sweeping powers to impose restrictions on the production and distribution of milk — for a maximum of 90 days at a time — if any scarcity in liquid milk supply arises.

More stringent measures could be in the offing. The MMPO lays down guidelines on the packaging, for instance, but it doesn't specify details such as the quantities in which the packages should be made available. Yet ministry officials say that this is precisely what they could soon prescribe. Effectively, what the MMPO does is concentrate wide-ranging powers with an 11-member milk and milk product advisory board, to be headed by the secretary in the department of animal husbandry and dairying, and with a milk controller who will be of the rank of a joint secretary.

In the private sector, which was just getting accustomed to generous dollops of liberalisation, that's made for a lot of sour faces. Companies manufacturing milk products will now no longer have the option of purchasing their milk from wherever it is cheapest. Nor can they command available milk supply in times of milk scarcity (which occur roughly at three-year intervals because of biological factors) by simply offering higher prices than the nearest dairy cooperative.

Says S. Menon, executive director of the Indodan group, which has the capacity to handle more than 8.5 lakh litres of milk daily: "The MMPO is a pretty draconian order; procurement is no longer left to us. And with just two representatives from the private sector on the board, it's so lop-sided that we don't expect much justice in allocation of areas." In an immediate response to the MMPO last fortnight, private sector manufacturers and traders across the country were banding together to form an association to press their viewpoint.

At least some farmers were supportive of the private sector response. Reason: while the MMPO takes away the buyer's right to purchase from where he chooses, it also takes away the farmer's right to sell to whom he prefers. Moreover, a section of the farmers believes that by restricting the manufacture of dairy products, the MMPO will depress the supply of milk. Explains K.A. Sengottuvel, secretary of the Tamil Nadu State Milk Producers Association, who hinted at an agitation against the order: "After delicensing, many entrepreneurs put up dairy plants to manufacture milk products. The demand for milk went up, the price went up and our incentive to produce went up. But restrictions on the manufacture of dairy products will now depress milk prices. The MMPO is biased in favour of the consumer."

Others believe that the MMPO is tilted towards the dairy cooperatives — and accuse milk czar and National Dairy Development Board (NDDB) chairman Verghese Kurien of master-

minding the order to retain control of the milk sector. That's a charge which cooperative officials hotly deny. At NDDB, which is the nodal point for cooperatives across the country, executives argue that the MMPO actually corrects an earlier injustice in the system: delicensing permitted the private sector to deal wholly in highly profitable dairy products. The cooperatives, however, could convert only their surplus, if any, into dairy products after meeting the liquid milk requirements of the cities and towns.

"It's not a partisan order," says NDDB managing director Amrita Patel. "The private sector didn't have the obligation we had to satisfy the liquid milk requirements of the urban areas. What the MMPO actually does is put things back on an even basis, prevent the private sector from fudging capacity and stop diversion of liquid milk."

NDDB officials also argue that the country's milk supply had simply not increased sufficiently to keep pace with the increased demand as private dairies mushroomed after delicensing. And with the private sector able to offer a better price (says joint secretary Misra: "They used the cooperatives' price as the benchmark."), the cooperatives found procurement increasingly difficult.

That's because not all the 56 million tonnes of milk produced in the country last year was up for sale. Just a quarter of the country's milk supply is available for procurement, with the farmer retaining the rest for either his own use or for local disposal. Only 10% of the total milk supply comes to the organised sector — including the private sector and the cooperatives.

Says Mahila Dakshata Samiti president Pramila Dandavate, who had advocated a review of the decision to delicense dairies: "The private sector handles 3% of the milk supply — which means it actually diverts one-third of the available liquid milk supply. In the past six months, there were complaints even in Delhi that milk was not available. The MMPO is a right step. People don't want chocolates, they want milk first."

Bureaucrats in the agriculture ministry say at least part of the liquid milk which goes to the private sector is further diverted for speculative reasons. In the resultant artificial scarcity, the government-operated milk schemes are forced to buy milk powder, and then reconvert the powder back to liquid milk. That gives the private trader a tidy profit.

As government and cooperative officials hasten to point out, the MMPO is patterned on the models prevalent in the developed world — where dairies can be established, and milk supply sourced, only after the approval of a dairy board. Still, there is a crucial difference: abroad it is liquid milk which commands a premium, in India it is the reverse because of strict government controls on the price of milk. Milk products, however, can be freely priced — which is the primary reason for the diversion of liquid milk.

That anomaly apart, the MMPO is likely to throw the onus of developing milk supply in a region on the cooperatives and private sector alike. Says NDDB's Patel: "So far the private sector has reaped the fruits of the cooperatives' effort to increase milk supply. Now they will have to try and develop their own milk sheds. And at the same time, the cooperatives will have to try and improve their own supplies."

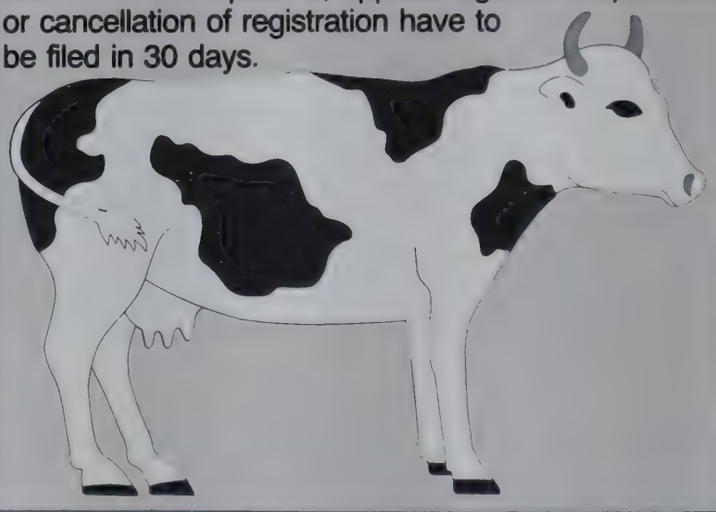
Meanwhile, nobody in the department of dairy development was willing to consider a return to the era of delicensing. Says Misra, dismissing fears that farmers would lose out because of controlled prices: "The MMPO is to ensure availability of liquid milk, not control prices. Or else, you have the option of not treating milk as an essential commodity. And don't hold the government responsible for its availability."

Despite concerns that the MMPO could result in cooperatives steamrolling the private sector, it is the fear of scarcity of liquid milk which is winning the order support. "Yes, we would like to have no licensing at all," sums up Patel. "But tell me, do we really want to be a country without liquid milk?"

□ Sujatha Shenoy

CURBING THE MILCH COW: WHAT THE MILK & MILK PRODUCTS ORDER MEANS

- Units handling more than 10,000 litres of milk daily, or milk products containing more than 500 tonnes of milk solids per annum, have to be registered with the Centre.
- Milk or milk products can be produced and dealt in only to the extent specified on registration certificates.
- Milk can be collected only from specified milksheds; exceptions can only be made by a milk controller appointed by the government.
- The Centre can stop use of liquid milk for milk products at any time.
- The registering authority can specify the price of milk, the quantity and quality available in a region, the facilities required in the dairy industry.
- Quarterly certificates have to be filed with the registering authority on the quantity and quality of milk and milk products handled.
- Officials authorised by the registering authority are empowered to search and seize property if dissatisfied with a unit's compliance; appeals against suspension or cancellation of registration have to be filed in 30 days.



TAX BOON

The recent tax cuts could pep up demand for black-and-white TV sets and cars, but not for LCVs.

Maruti cars cost less. The price of a light commercial vehicle (LCV) has been slashed. And television sets, whose price had been soaring in recent times, will be priced marginally lower.

Suddenly, three major industries that had been in the dumps are making whoopee. And nearly every manufacturer of these wares is cocking an eye at better times. DCM Toyota deputy general manager S.G. Awasthi says: "Things should improve now, but it is too early to say how much sales will increase in the near future."

Underpinning the revival of hope in such industries is the government's decision last month to cut excise and customs duties on cars, television sets and LCVs. Last fortnight, car manufacturers announced price reductions ranging from Rs 7,000 to Rs 22,000. Hindustan Motors managing director C.K. Birla says: "For the Ambassador models — both petrol and diesel — we have passed on the entire excise relief to the customer. The ex-factory petrol model now is cheaper by Rs 11,000, while the diesel model is cheaper by Rs 14,000."

A Maruti spokesman says that Maruti's price reduction reflects the 11% lowering of excise and the 10% increase in import duty on components of fuel-efficient cars, compared to the position on 31 March when the concessional duty was discontinued.

LCV prices too have been lowered, by Rs 14,000 to Rs 18,000, and black-and-white TV sets, the excise on which has been abolished, is cheaper by roughly Rs 120.

For all three products, the price cuts made eminent sense. Sales have been on a downswing, in some cases for years. For instance, sales of black-and-white TV sets dropped from 44 lakh in 1989 to 29 lakh in 1991. This year, sales are expected to fall further, but this may not happen thanks to the lower duties. Weston Electroniks managing director Sunder Vachani says: "The removal of excise will spur exports as many formalities have been removed."

In LCVs, the fall in sales has been equally dramatic. From a high of 15,800 LCVs sold in 1990, the number slumped to 11,800 in 1991.

Revised targets. The new levies, therefore, provide a glimmer of hope to two of the three industries. Car companies have revised production targets. Maruti plans to produce 11,000 more cars this year, while Hindustan Motors plans to increase sales to 28,000, 10,000 more than last year. The industry was earlier resigned to a sales slump of 30,000 this year. In 1991-92, the industry sold 1.65 lakh cars.

But LCV manufacturers are still gloomy about the industry's prospects. Many believe that sales volumes will climb only after the tough economic times end. This is because LCV purchases are financed by finance companies. With money tight, loans are expensive. Some are also clearly disappointed by the duty cuts. Eicher Motors managing director Subodh Bhargava says dismissively: "The rollback is not sufficient to give a thrust to the industry. There has been a 40% hike in LCV prices in the last 10 months. The rollback means that prices are still 25% higher than those before devaluation."

Then, TV manufacturers say the tax cuts have by-passed colour TVs, whose sales have slumped from 12 lakh in 1990 to around 8 lakh in 1991. Says an industry spokesman: "We have the highest excise duty rate in the world for colour TVs. For the excise that one pays on a colour TV in India, one can buy a colour TV abroad."



Several businessmen also point out that the tax cuts were long overdue. "The government has lost a lot of revenue as a result of this delay in reducing the duties," grumbles Vachani. "If the duties were lowered earlier, sales would have picked up by now," he adds.

Inevitably, some manufacturers read a great deal into the timing of the duty cuts. These came virtually on the eve of prime minister Narasimha Rao's visit to Japan — and benefited industries in which the Japanese have a strong presence. That suggests that the government was sending Tokyo hopeful signals on future investment.

Last fortnight, however, most businessmen were grateful for the tax cuts — and perhaps eager for yet another prime ministerial visit to Japan.

□ Anup Jayaram

INDO-JAPANESE LCVs: SALES SLUMP



COMMENT

WILL PRIVATISING HELP?

By ABHIJIT SEN



While most agree that the PSUs are inefficient and uneconomic, there is by no means a consensus that privatisation is the best alternative

The International Monetary Fund and the World Bank's solution to the poor performance of public sector units (PSUs) is simple — privatise them. While most agree that the public sector is inefficient and uneconomic, there is by no means a consensus that privatisation is the best alternative. This, they claim, is because:

- This malaise is not confined to PSUs alone; there are a large number of sick units in the private sector too.
- Most of the losses in the public sector are due to the takeover of loss-making private sector units.

In view of the importance of this issue in the context of the current changes in the Indian economy, it will be useful to dispassionately examine the pros and cons of both views.

First, let's look at the return from PSU investments. Between 1987-88 and 1989-90 profits grew from approximately Rs 3,000 crore to Rs 5,000 crore; capital employed increased from Rs 1,12,000 crore to Rs 1,62,000 crore. The overall return on capital employed was a minuscule 3% per annum. If profits from the oil sector (which enjoys the benefit of monopolistic pricing) are excluded, the picture is even gloomier. If the PSUs can earn a return equal to the current interest on government securities, which is 12%, the budget deficit can be bridged without any additional tax effort.

But all these dismal facts don't seem to have deterred the government from pouring more and more money into PSUs. If a private sector company with a long record of poor performance approaches shareholders for more money, the latter can at least decide whether they want to throw in good money after bad. In the case of PSUs, the general populace (comprising the real shareholders) is not given any such choice.

Coming to sick units in the private sector, it is nobody's contention that the private sector record is unblemished. Not every private sector entrepreneur can be a Birla or an Ambani; with the relaxation of entry barriers, it is inevitable that some unqualified or unsuitable people will try to set up industries and fail. If the physical assets (land, buildings, machinery, stock) of the failed enterprises can be sold off quickly and easily to new entrepreneurs, there is not much economic loss at the macro level.

It is also true that by its very structure and mode of working the private sector is generally more nimble than the public sector, and this is borne out by a comparison of the sick units in the public and private sectors. The size of the two sectors in terms of value of output is almost equal; so if both were equally efficient, the incidence of sickness should have been the same in both sectors.

Between 1987-88 and 1989-90, sick PSUs lost Rs 2,000 crore each year on an average. The figures for private sector losses are not so readily available, especially as there are around 700 large sick units and 1.5 lakh small units. However, we can get an idea by looking at the amount of bank credit locked up in sick units. The annual increase of such bank credit can be taken as an estimate of the losses incurred by sick units every year. From 1984-86 therefore, private sector losses averaged Rs 500 crore each year.

These figures show that while sickness is widely prevalent in the private sector, the incidence of losses of private sector sick units is only about 25% of the losses of sick PSUs. While the private sector cannot be taken as a model of efficiency, the relative differential of losses does seem to indicate that the record of the private sector is comparatively better.

Another argument is that the losses of the PSUs are mostly caused by nationalisation of sick private sector companies. This argument, however, is not factually substantiated. Of the Rs 2,000 crore of public sector losses each year, nationalised private sector units account for just Rs 400 crore. The bulk of the PSU losses originates from units set up as greenfield projects by the government. Moreover, the units which have been taken over have been under government ownership generally for the past two decades; so their present losses can hardly be attributed to the fact that they were once in the private sector.

While the factual position generally demolishes many standard arguments against privatisation, it does not necessarily prove that privatisation of existing PSUs will help matters. That has to remain in the realm of opinion until we have actual experience of privatisation in India. The experience of privatisation in the UK has generally been positive, but privatisation in eastern Europe has been less successful. Only time will tell whether the Indian experience will be closer to that of the UK or of eastern Europe.

The author is co-chairman, Nicco group.

REVIEW

■ A reduction in tariff rates in the **petrochemicals sector** to base levels of 25-40% is on the cards, says *The Economic Times*. The attempt to bring down rates is part of an exercise to scale down duties across the board over a period of time.

■ The Associated Chambers of Commerce & Industry (**Assocham**) has called for substantial changes in the country's **labour laws**, particularly in the Industrial Disputes Act and the Trade Unions Act, in line with the new economic policy to accelerate industrial growth and attract foreign investment.

■ The government is considering allowing **foreign firms** to set up projects in which they will have a 100% equity stake depending upon their economic benefits, according to minister of state for industry P.J. Kurien.



KURIEN: *Wooing foreign firms*

■ The Board for Industrial & Financial Reconstruction (**BIFR**) is planning to increase the number of benches to hear the various cases from the present level of four-six. This is to help ease the extra burden which will be created by sick public sector units (PSUs) being referred to the BIFR for rehabilitation.

Meanwhile, according to prime minister Narasimha Rao, the government is working out economic packages for the revival of chronically sick PSUs.

■ The Union government has reduced **excise and customs duties** on cars, light commercial vehicles, TV sets, bulk drugs and drug intermediates. The concessions amount to over Rs 100 crore in a full financial year.

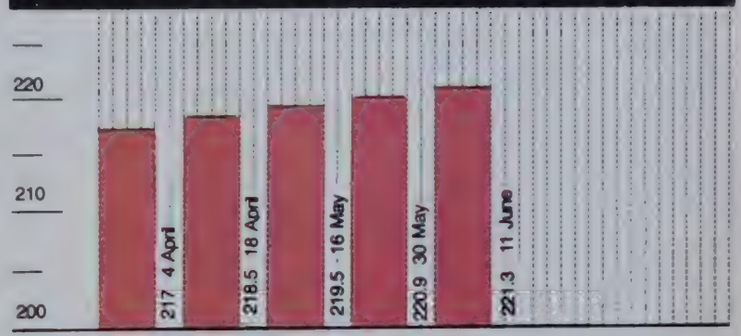
Foreign Exchange Rates (Spot) 1992

	29 June (Rs)
One P. Sterling	49.11
One US Dollar (RBI's buying rate)	25.83
One US Dollar (operating middle rate)	28.38
One D. Mark	16.89
One hundred J. Yen	20.60
One Saudi Riyal	8.04
One Kuwaiti Dinar	103.52

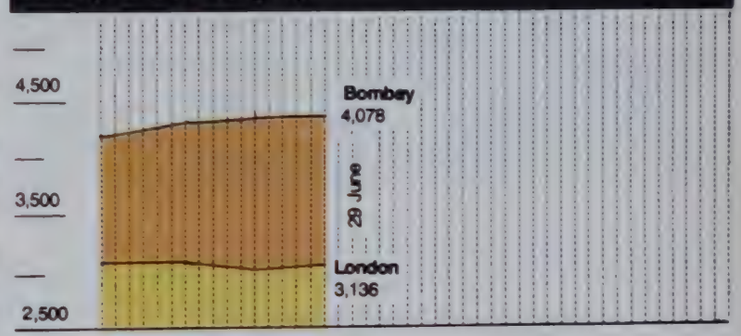
Consumer Price Index for Industrial Workers (1981-82 = 100) 1992



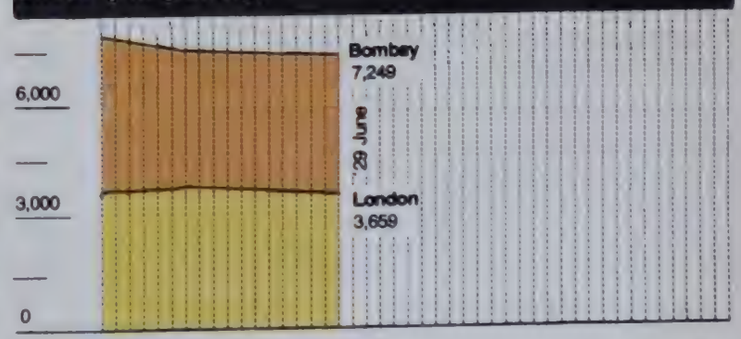
Wholesale Price Index (1981-82 = 100) 1992



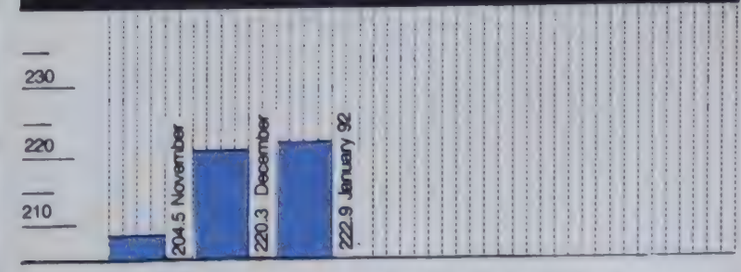
Gold (Rs per 10 gm)



Silver (Rs per kg)



CSO Index of Industrial Production (1980-81= 100)



ON A NEW ROAD



Maruti Udyog is no longer a government company.

For the automobile industry, the news could not have been more dramatic. Almost a decade after the government launched Maruti Udyog, the car, van and jeep enterprise is no longer a government company. The Rs 2,000 crore giant can now operate more freely on commercial terms, fix wages and salaries independent of pay structures in public sector enterprises, and function without facing court writs (government companies are instruments of the state, and so subject to court writs).

That's not the only bit of dramatic news, of course. Maruti is toying with the idea of floating two new subsidiaries. Says chairman & managing director R.C. Bhargava: "We may set up a subsidiary for our aluminium foundry project and another subsidiary for our gears project. No decision has been taken as yet, but it's one of the options we're looking at."

Maruti is setting up a Rs 75-crore aluminium foundry to meet the requirements of a 900-odd cc car — the YE2 — that will roll out on Indian roads next year. Meant primarily for the European market, the car will have a collapsible steering system and is to be powered by an aluminium engine. The idea is to keep the car light, thereby ensuring fuel efficiency.

The second venture is a Rs 185-crore gears project. Maruti now imports gears, but wants to make these in the country. The project may be spun off either as a separate subsidiary or as a joint venture.

If the two projects are ultimately set up as separate Maruti subsidiaries, Maruti and Suzuki could hold a 51% controlling interest in them, with the rest of the equity being offered to the public.

The third development that is bound to be keenly watched by employees of state-owned companies is the coming wage and salary increases at Maruti. As a public sector concern, Maruti was bound by Bureau of Public Enterprises guidelines. This meant that it had to seek the government's permission to hike salaries because higher pay levels could trigger off demands in other state-owned corporations for wage revisions.

Bhargava cautions that the company's board has not applied its mind to the question of jacking up salaries, and that it's unlikely that salaries will go up immediately. But he does acknowledge that a wage agreement with Maruti's union expired on 1 April 1992, and that a fresh agreement will have to be negotiated now. "Workers may say that government guidelines don't apply, so give us the moon," he adds.

Low staff costs. Maruti's staff costs are low by automobile industry standards, even though the company tops the productivity charts (32 cars every man hour). "Our total staff costs, including benefits, comprise only 2% of total sales, which is very, very positive," Maruti finance director A.R. Halasyam says. "At Hindustan Motors and Premier Automobiles, they are of the order of 25%. Even at Bajaj Auto and Telco, these range be-

tween 15% and 20%," he adds.

One reason for the relatively lower wage and salary bills at Maruti is that it employs about 4,000 people, versus say roughly 12,000 at Premier Automobiles, which produces just a third of the number of vehicles Maruti turns out every year.

Once workers' wages are revised, the question of higher salaries for Maruti's full-time directors will be considered. At Maruti, a director's payscale is Rs 8,500-9,500 a month, with an annual increment of Rs 200. Unlike in the private sector, directors are not entitled to a share of profits. Ironically enough, however, Maruti employees below the level of directors are entitled to production incentives which can amount to as much as Rs 19,000 a year at the chief general manager level. "Board people don't get anything. Maybe they think we don't contribute anything," chuckles Halasyam.

Fourthly, over the next two years Maruti will be importing $60 million (about Rs 180 crore) worth of equipment on behalf of some 40 to 50 of its 300 vendors. The equipment will then be leased to the vendors. This gambit is being adopted because equipment can be imported at a 15% duty only if an export guarantee is furnished, and only Maruti is in a position to do this.

For instance, Maruti vendor Sona Steerings is to make collapsible steering systems for the YE2 and will need imported equipment for the purpose. "We're setting up a company which will produce car seats for the YE2," says Sona Steerings chairman & managing director Surinder Kapur. "This plant will receive equipment from Maruti," he adds.

Not all these changes are the result of the new order at Maruti, but some of them are. And the changes themselves flow from the altered pattern of ownership at Maruti. Last month, Japanese partner Suzuki acquired an additional 10% of the Indian company's equity for a price of almost Rs 60 crore, taking Suzuki's stake up to 50%. Suzuki had sought to acquire the additional shares at par, but the government dug in its heels and insisted on being paid a premium. The dispute was resolved at a board meeting, where it was decided that Standard Chartered Bank would work out the premium. This was based on the net asset value per share and the earning per share multiplied by the capitalisation. Thereafter, an average of these two was arrived at, after providing for contingent liabilities.

Maruti, meanwhile, prudently banked Suzuki's additional Rs 60 crore (about $20 million) in foreign exchange at an Indian Overseas Bank branch in Hongkong. This instantly gives it a foreign exchange kitty of $20 million, which it can tap whenever it wishes.

The new ownership structure has several major implications. For one, the government has become a minority partner in Maruti. It will hold just 49.7% of the equity (an employees' trust holds 0.3%). In fact, the government's equity stake is scheduled to slide even further because a decision had already been taken to offer employees 9% of the equity. Still, the government's minority status at Maruti is a technicality — the trust that holds employee shares is required to vote with the government.



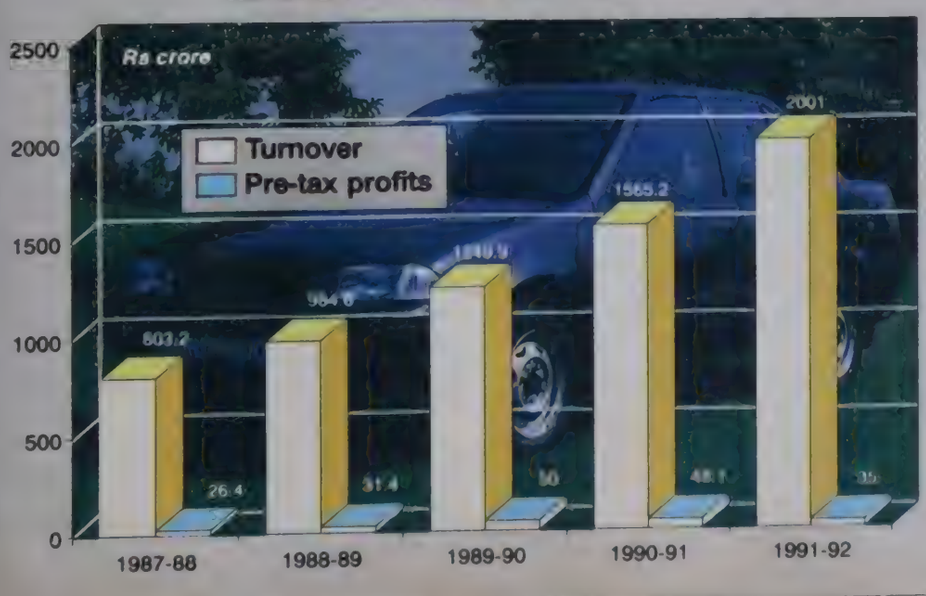
BHARGAVA: *More freedom to operate*

Secondly, Maruti's net worth has now shot up from Rs 262 crore to Rs 322 crore after Suzuki pumped in more money. Equity has climbed from Rs 110 crore to Rs 132 crore, while reserves have gone up from Rs 152 crore to Rs 189 crore, thanks to the premium. One outcome of the higher net worth: Maruti's ability to borrow cash has increased.

A far more important implication, however, is that Maruti escapes irksome government controls. Indeed, the agreement Suzuki and the government signed reiterates — at Suzuki's request — that Maruti won't be subject to the rules and regulations that bind government enterprises. "Suzuki's purpose in jacking up its equity to 50% was to get out of all those government controls," says Bhargava.

As a result, Maruti will be free to invest whatever sum it wishes without having to seek government approval. Also, Maruti employees will no longer be public servants, subject to official laws such as the Prevention of Corruption Act. And most impor-

MARUTI: PROFITS TUMBLE



tant of all, Maruti will no longer report to an administrative ministry. "The ministry was always an irritant," says Bhargava. "Decisions were delayed. We wanted to take someone from the directorate general of trade & development. The ministry wouldn't push it through."

Suzuki's increased stake also puts paid to months of media speculation about Bhargava's future. Due to retire on 30 June, Bhargava's term has been extended for a month. The company's annual general meeting is to be held in July-end. At the meeting, Bhargava will be designated managing director as a nominee of Suzuki; the government will nominate a part-time chairman, who may or may not be Bhargava. With this, Maruti will revert to its earlier position when it had a non-executive chairman (V. Krishnamurthy) and a managing director (Bhargava). "The agreement provides that for the first five years Suzuki will nominate the managing director, with the government nominating the part-time chairman," explains Bhargava.

At the coming shareholders' meeting, Maruti's seven-member board is to be expanded by three. Right now, Suzuki has just two representatives on the board (including D. Suzuki), the government has three part-time directors, while Maruti is represented by three directors, including Bhargava. The board's strength will climb to 10, with Suzuki and the government being represented by five directors each.

The Suzuki move has implications for Maruti's vendors. Some hope that this will provide them with more business. Sona Steering's Kapur, who's also president of the Automobile Component Manufacturers' Association (Acma), says that an Acma delegation had visited a Suzuki joint venture in Hungary, where interest had been expressed in Indian automobile parts.

Expansion plans. But the biggest implication is the impact on Maruti's expansion plans. Suzuki's decision to invest more in the Indian concern comes at a time when Maruti is poised to expand production capacities from 1.30 lakh to 2 lakh vehicles. Once the Rs 600-odd crore expansion is through, Maruti will become Suzuki's single largest joint venture in the world, barring a joint venture in Canada. By 1995, Maruti hopes to export most of the 70,000 additional vehicles it will roll out. Says Bhargava: "Suzuki's strength has always been the small car. In that sense, this is a very critical operation for them. Fundamentally, Maruti will be exporting a Suzuki car. If we fail Suzuki will get a bad name. They're putting their reputation on the line."

So it's hardly surprising that Maruti's chief talks of cutting costs through fancy inventory management, jacking up productivity levels from the current 32 cars per man hour to an astonishing 40 cars by 1995. Part of the higher productivity is to come from the increased economies of scale that the capacity expansion will provide, and part of it will flow from a 20-25% increase in the labour force.

The question of course is: where will the money for the expansion come from? Maruti has several options before it. Apart from the $20 million lying in Hongkong, Maruti can resort to overseas commercial borrowing. "Left to ourselves, we'd leave it as the last option," says finance director Halasyam. "Already, we have an exposure of $122 million." Then, Maruti took a cover against currency value fluctuations, paying Rs 20 per dollar. "We can cancel that cover and generate extra cash to buy dollars in the Indian market," says Halasyam. "We can get Rs 110 crore from this, plus we have about Rs 100 crore of internal resources. And we have surplus cash deployed in public sector companies. We can get it back." Lastly, Maruti is installing a gas turbine for power but, instead of buying it from Bharat Heavy Electricals (95% of the Rs 60 crore bill has already been paid), the turbine may be leased. All this, Halasyam believes, will enable Maruti to assemble roughly Rs 340 crore this financial year, as against the year's expansion requirement of about Rs 320 crore.

For all the good news, there's little denying that Maruti's profits were squeezed last year. And sales of its vehicles actually dipped by 13.8% in a recessionary domestic market.

The going could get tougher in the years ahead; if the government delicenses the production of cars, Maruti will face tougher competition. A delegation from South Korea's Hyundai told Acma in May that the Korean company was keen on producing cars in India. Domestic competitors, meanwhile, are gearing up for a fresh onslaught on the market by seeking overseas partners (Hindustan Motors and General Motors, Premier and possibly Italy's Fiat). So at the end of the day, Maruti just might find that functioning without a government prop isn't so smooth after all.

□ Palakunnathu G. Mathai

MARUTI SALES: SLACKENING PACE



* Sales climbed only owing to exports. Domestic sales, in fact, dropped 13.8%

AIMING HIGH

Shrugging off some flops, Crompton Greaves readies for a leap.

At Crompton Greaves, the Bombay-headquartered Thapar group company, ambitions are running high. Way back in 1988, president & managing director K.K. Nohria had set his sights on taking the company to the Rs 2,000-crore mark by the turn of the century (See *BW* 9-22 May 1988). Today he isn't fascinated by figures like that. Says he: "Rs 2,000 crore is no longer an interesting figure. We plan to go much beyond that and have visions of being a world-class company by 1998."

Brave words from a company which notched up a turnover of only Rs 720 crore in 1991-92? Nohria obviously doesn't think so. For one, he has his company's track record to back him. Judging by its recent performance, Crompton Greaves seems to be moving on the right track. It has more than doubled its turnover in the past four years and plans to move at a faster pace. The signs are showing already: in 1991-92, sales at Rs 720.19 crore were a handsome 17% higher than the previous year's Rs 616.58 crore.



NOHRIA: *Bullish*

"Our growth was 2.1 times every four years at a time when the Indian economy itself was moving ahead at around 5%," says Nohria. "Now, after 1994-95, the economy is likely to grow beyond 6-7% per annum and industrial growth is estimated to even touch 10-12%. This means that the basic environment will be conducive to growth. Of course, it will also mean greater competition, but we are prepared for that."

One indication of Nohria's preparedness is the sharper focus that Crompton Greaves has found for itself. Earlier, the company had identified a somewhat broad-brush thrust area: electronics. But today it's more specific and is looking at the telecommunications and industrial automation sectors.

Action in these newly defined thrust areas has already begun. Consider:

- On the cards is a merger of the company's business communications operations — Goa Telematics — with Node (Northern Digital Exchanges Ltd) to form a new company CG Node. Says Nohria: "We want to be a complete telecommunication outfit." And to drive the point home, he's unveiling plans for CG Node: on the anvil are projects to manufacture cordless telephones, pay phones, pagers in modems and other value-added services.
- Crompton Greaves has also bid for tenders to manufacture cellular phones and main exchanges. In addition, it is negotiating with foreign companies for the manufacture of satellite and transmission products. "We are No 2 in the private sector as of now and have the largest product package. We are looking to becoming the market leaders," says Nohria confidently.

If all this works out to plan, the company hopes its Rs 40-crore turnover from the telecommunications division will bloat to Rs 100 crore by 1995. Comments the bullish Nohria: "If we are successful in our bids for the cellular systems and main exchanges we will move much beyond that."

That's the gameplan in telecommunications. For the second thrust area — industrial automation (turnover last year: Rs 25 crore) — Crompton Greaves has entered into a joint venture with Allen Bradley of the US and Hartman Braun of Germany. The product range includes industrial automation controls, industrial process control instrumentation, factory automation/robotics, AC drives and soft starters. According to Nohria, five years down the line, industrial automation could rake in eight times the present turnover.

Labour trouble. But even as Nohria's ambitious plans are set in motion, last month there was bad news for Crompton Greaves. In the first week of June work at its Kanjurmarg (a Bombay suburb) plant came to a complete standstill. The reason: two rival trade unions in the company clashed over a wage agreement which Crompton Greaves had signed early this year with its registered union. At stake was a productivity clause in the agreement, which required an increase in work hours. With a deadlock emerging last fortnight, the management finally declared a lockout for three months on 26 June.

The Kanjurmarg plant, which employs 3,000 workers, houses three vital units — a transformer manufacturing unit, one of the company's two fan-making facilities and a stampings division for Crompton Greaves' motors. Says general manager (communications & market support) Arunabha Dasgupta: "The lockout was declared when the inter-union rivalry led to a stalemate. But the dispute is between the unions and not with the management."

The fiasco at Kanjurmarg could be a freak incident. And one that the company hopes will blow over soon. "Efforts are on," says Dasgupta, "to resolve the impasse." But even as fingers are kept crossed the dispute over productivity norms could conceivably have an impact on Crompton Greaves' future plans. Because, though the company's foray into its thrust areas would perhaps be through the newer ventures, there are plans for the old core businesses as well.

Take the transformers and motors plants at Kanjurmarg and Gwalior, for

Adapting

A LIPTON

Speech delivered by Mr. B. R. Shah, Chairman, Lipton India Limited, at the Annual General Meeting held on June 18, 1992 in Calcutta.

The company that you know as Lipton India is an enterprise that has inherited more than a hundred years of business experience. It has developed over the years a very good understanding of the Indian consumer and the market place. There are very few companies in the country that can claim such a venerable heritage.

As Chairman of Lipton India Limited (LIL) since 1981, it has been my privilege to present to you annually the progress of the company's business operations and the tasks ahead. I propose sharing with you today at this Annual General Meeting some of the insights about how your company has been successfully adapting to change, the lessons it has learned, and, more important, its vision of the future.

I propose discussing the subject in six distinct parts:

1. Turnaround Strategy
2. An Agenda For Growth
3. Lessons In Managing Change
4. Environment & Business
5. Towards New Horizons
6. Conclusion

Turnaround Strategy

Lipton's association with tea is well known. Its brands of blended and packaged teas are a source of strength to the company and with continuing adaptation to the needs of the consumer and innovations, you can expect this to be a robust and substantial business in Lipton's portfolio.

Tea plantations were set up in India essentially as a response to meet the needs of Britain in the colonial days. Lipton sourced teas from India for its overseas customers. The development of a domestic market for the beverage is a phenomenon that can be said to have begun from the late '40s soon after the Second World War. Lipton played a leading role here by setting up its own national distribution and providing to consumers through its network regular supplies of Lipton brands of packaged teas in as fresh a condition as possible. This was a major innovation and Lipton became a leader in the domestic packaged tea market.

However, in the seventies, volume growth lagged behind the growth in overhead costs. Consequently, margins were steadily squeezed and profitability declined. The company's response to this unwelcome trend was to try and restructure key aspects of operations including its distribution arrangements. Before these moves could take effect, the company ran into serious industrial relations problems which disrupted operations for an extensive period. As a result of this, substantial financial losses were incurred driving the company to near sickness. Dividends to shareholders had to be suspended and the company faced extremely grim prospects.

Fortunately, peace was restored in 1980 after six months of industrial action. The company then had to address itself to the complex and arduous task of regaining its financial health and long term viability.

It is to the credit of all the employees of the company that once this task was addressed there was unsparing commitment to overcome problems, evolve solutions and resume the march to profitable growth. In specific terms this meant cost control, rationalisation and reorganisation of distribution, increased productivity and an aggressive search for volume growth, both in the domestic and export markets for tea. Adversity became a challenge and led to a search for opportunities and innovative management strategies. By 1985, the domestic tea business had been turned around and from being a drain on company's resources, it had become a positive contributor to profits.

An Agenda For Growth

While in the early eighties it was clear that the turnaround of domestic tea operations wa to restoring the company's financial health, i also obvious that a single product portfolio i.e would continue to leave the company vulnerable position. LIL's quest for broad-b its operations coincided with Hindustan Limited's (HLL) plans for restructuring its busi Thus in 1984, as a going concern, Lipton acq HLL's Edible Fats, Dairy Products and Animal businesses and brands. That this plan has be remarkable success is now beyond questi shown in the following table.

	Turnover	E
1981-82	84.37	
1982-83	105.25	
1983-84	247.31	
1984-85	286.04	
1985-86	309.97	
1986-87	341.67	
1987-88	587.83	
1989	475.20	
1990	578.51	
1991	673.63	

The success is particularly gratifying as a team because of the fact that LIL today emerged as a multi-product, diversified com with considerable potential for further growt only in markets where it operates currently bu those in allied areas synergistic with its stren

In Beverages - Tea - our business is and profitable. Strong and innovation-led, achieved a breakthrough in building vol through introduction of Taaza in pouch pack Efficiencies have improved substantially and have resulted in significantly better margins. tea processing and packing unit has been se Etah, Uttar Pradesh, to meet growing dema our brands and take advantage of substanti

o Change.

EXPERIENCE

fits. Our tea buying operations have innovated e use of information technology which has oved information flow and increased ational flexibility leading to substantial savings better productivity.

The battle to wean consumers away from arge loose tea segment to packaged teas ins and here Lipton is devoting considerable irces to accelerate the process.

Particularly important is our thrust in rural . Innovative distribution strategies have carried n teas to small village markets and today

Rs. Lakhs

ves	Profit Before Tax	Dividend *(Per cent)*
88)	1,62	–
29	3,74	10.00
,00	3,03	10.00
2,50	6,86	12.50
1,85	7,52	15.00
3,19	11,51	20.00
5,18	21,04	22.00*
2,14	15,98	22.00
1,51	12,05	22.00
2,11	23,03	25.00

**18 Months.*

on is market leader in the rural packaged tea ket.

In sum, I am indeed glad to tell you that domestic tea business is now the cornerstone our company's profitability and is poised to eve even greater heights in the years to come.

In Edible Fats, we have major brands, la, Flora and Gold Seal. We have also laid the ndations for increased profit potential through using on Professional Markets Group, by eloping speciality fats for the bakery industry. Edible Fats Factory of Hindustan Lever in nnagar, West Bengal, which Lipton is in the cess of acquiring will strengthen the company's ence in this market.

The Dairy Products business has grown substantially and is a major contributor to company profits. I have been associated with the Dairy operations centred in Etah for almost 20 years, first in Hindustan Lever and then in Lipton when your company acquired this unit as a part of its reorganisation in 1984. While earlier efforts were to establish viability, the last eight years have seen the Dairy business blossom into a growth oriented, extremely efficient operation which is a major contributor to the bottom line. This has been possible through modernisation and continuous investment in increasing efficiency. In addition, an innovative milk collection system has ensured a steady and growing supply of the raw material to the plant. Investment in brands and efficient management of working capital have combined with other functional aspects to build a business of which we are very proud. There are concrete plans to build on this success and widen the portfolio.

Lipton's Animal Feeds business has achieved a leadership position in the feeds market through reliance on quality and excellence in technology.

The company is increasingly utilising the potential of information technology in order to leverage its assets such as a powerful distribution and its reservoir of commercial skills besides its diversified manufacturing base.

In retrospect, it is very pleasing to see how Lipton has transformed itself from a company in the jaws of industrial sickness to one with a strong balance sheet well within a short period of the correct diagnosis of its problems and by building on the opportunities that came its way. The cause for this success is not far to seek. It is the will on the part of its team of people to accept change and create, in the process, opportunities for growth.

Such a process cannot be initiated without the active participation of everyone who works for the business. Our analysis was that a key factor for success in initiating change was to create the right mind-set in the organisation. This involved extensive communication and training and creation of awareness of the company's mission. All employees had to understand what the company's business problems were, and what was expected of them. Ideas like unit viability, productivity improvements, modernisation, competitive factors in the market place were all freely aired in communication with employees and their unions. A series of training programmes conducted at all units apprised employees of the different businesses the company was in and their intrinsic strengths and problems. Such programmes were rerun with updated information. Employees were encouraged to ask questions and the focus of the entire effort was on creating an ambience of credibility and participativeness. Such training programmes continue and are being honed further to make them relevant to the imperatives of change.

In areas such as productivity, Lipton's practice has been to look at it comprehensively and not merely in terms of manpower needs. Efficiencies have to come from every asset at work, working capital, equipment and inventories and through commercial areas such as buying and better methods of work. A good example is the use of working capital. In 1991, a year in which the company's turnover rose by 16 per cent, the working capital was brought down by 13 per cent.

Brands are the life-blood of a consumer products company like Lipton. I am happy to tell you that successes here have been significant. We have Lipton Taaza Tea and Lipton Flora Refined Sunflower Oil created and established in a short span of four years. Lipton Taaza in particular has been a trail-blazing success as it is already among the top ten valuable Unilever brands in India. Other brands like Lipton Tiger, Lipton Ruby and Lipton Top Star have also been strengthened through relaunches and new advertising.

Lessons In Managing Change

The lessons that Lipton has learned in its quest for survival and now growth are important. These broadly are:

Control of costs and overheads:

Management has to be ever vigilant in checking costs and preventing unwarranted escalation of overheads. The practice of building overheads in good times can never be acceptable. Cutting overheads when conditions become tough entails human problems and this is often a source

Adapting to Change (contd.)

of insecurity and lack of credibility in managemen actions.

Need for continuous raising of standards:

In the competitive scenario, there is no such thing as an ideal standard that is final. The quest therefore has been for higher standards and to demand of ourselves a better level of performance and motivate ourselves to achieve. Productivity standards achieved at one point of time are subject to continuous review and upgradation in a comprehensive way.

The company must aim to be a low cost producer, passing on the economies to its constituency of consumers. This implies equitable distribution of earnings between current and future needs, and among the stake holders, the employees, the suppliers, the trade, the government, the consumers on whom the fortunes of the company depend, and, of course, shareholders who have invested their money in our business.

Innovation:

For business success, innovations are vital. At Lipton, a spirit of innovation is encouraged at all levels. The company's achievements in cost savings, reduction in working capital, quality improvement, higher effectiveness in field operations and the use of information technology for better networking and competitive edge are all results of emphasis on innovation.

Motivation and communication:

Lipton's operations being decentralised and on a large scale, motivational aspects should never be ignored, and, in this, creative communication within the business is extremely important. It is only through a process of constant communication, we can build teams out of individual managers and employees in order to prepare them for changes. This means that while people need not accept change uncritically, they should be creative enough to be upfront in accepting the process as very necessary for business performance in order to build significant competitive advantages.

Clear consumer orientation:

Lipton is a consumer products company and its endeavour must constantly be to respect the consumer and provide him with products that he values. This implies going all out energetically to understand the consumer expectations and trends and innovatively meeting the needs. Lipton undertook, for instance, a big scale value analysis for its Taaza tea pouch and found ways of achieving economies. The company also developed flexible packaging, a difficult task, for its liquid oil brand Flora principally because there was scope for economy. Communication to the consumers is also increasingly influenced by consumer expectation from brands and how best they can be made to perceive value.

Environment & Business

A business cannot be an island in itself. It has a continuing interface with the environment and there has to be an allround awareness inside the company of its impact on business performance. Let me recount some of this so that you can recognise the tremendous distance we have traversed.

Much has been said and written about vanaspati industry where Lipton has a significant market presence, particularly in the consumer pack segment with its famous Dalda brand. This is an industry which makes it possible for India, which faces a severe shortage of edible oils, augment supply of edible fats because of its ability to homogenise several oils — some of which are unacceptable to the consumer in their raw form — into a popular cooking medium.

The industry was under statutory price control for many years and for some more under a regime of "voluntary price control" ! There was a torrent of regulations and fiats. It was my unenviable task to deal with the government authorities at various levels and apprise them on how the market behaved and what would be in the long term interest of the country and the consumer. Sometimes it was not consistent with what was in the interest of the company's own vanaspati business, but we took a broader view. Now that the industry has been deregulated, the opportunities will grow, particularly to strengthen our equity in the Dalda brand.

The Dairy business was another area where we encountered persistent difficulties with policy makers. Etah, where our Dairy is located, is part of a region beset with economic and sociological problems. We battled here against many odds in order to revive the Dairy, which was at one stage heading for a virtual closure in the absence of adequate milk supplies. We started a unique Integrated Rural Development (IRD) programme. We also set up an excellent infrastructure for milk collection and support to animal husbandry activities identical to what the cooperative institutions have done. The IRD programme, now in its 16th year, has taken firm roots and has indeed contributed to better milk availability besides, of course, helping the villages achieve general economic improvement in a difficult terrain. Our people have empathised with the people of Etah and the Dairy is an integral part of life in the villages of Etah. Over 250 management trainees from Lipton, Hindustan Lever and other Unilever companies have lived and worked in Etah contributing to various aspects of life in the villages. Even so, there was considerable reluctance in recognising that an alternative model could also be as beneficial as the cooperatives!

In the case of tea, we encountered a different problem. Here was a commod beverage of the common man, overshadow our colonial past. This affected the percept the industry, and, indeed the companies en in tea trade. Lipton needed to get out o through a conscious process of change ove culture consistent with an organisation engag mass marketing of a popular beverage. We h initiate debate concerning substantive issues as the need for building exports, raising produc and production to meet rising internal dem and, voice our concerns in public fora. Som them, like the suggestion to import small quan of teas for maintaining value added expo times of shortages and high prices, drew ire even knowledgeable leaders in the industry one happy fall out has been that there is n greater focus on raising production and de with the long term. I have been associated wi this in the last 12 years and the fact that the i of the tea industry is changing for the bet certainly heartening.

Lipton's Animal Feeds business sizeable operation today with a string o production units. I am happy that we have pl a very important role in developing the live feed industry in the country. I still recall vividl first purchase order we placed in 1960, when in HLL, for a tanker load — I had to travel i vehicle to ensure timely delivery — of a ma called molasses! We produced 1,000 tonne cattle feeds that year. From those tent beginnings to 1992 when we estimate the ton will be 300,000, has been a fantastic journey fo business. With growing concern about pr deficiency, I believe that this business has enorm potential for growth. Lipton's role here has be create better intra-industry awareness of nutriti value of livestock feed materials and dealing problems like aflatoxin.

New Horizons

India now has liberalised its econ and there are many new opportunities he business and industry. A look at India's recor growth in the last four decades reveals that wi its shortcomings, it is the country's farm sector has been a sheet-anchor of strength despite t than a doubling of the population s Independence. But the success of the farm s could indeed have been far greater if only potential of food processing industry and its lin with the farming communities were adequ recognised by our planners much earlier.

For Lipton which is dependen agriculture for its needs of oils, milk, and materials such as oil cakes, extractions, bran (and, increasingly even agro-based fuels liberalisation with respect to food process particularly significant. With its access to th

wledge of Unilever, a world leader in processed ls covering soups, snacks, frozen foods, dairy ducts, dehydrated vegetables, and, of course, garine and speciality and cooking fats, your pany can enter new markets of promise in ia. With increasing urbanisation, better life styles l the emergence of nuclear families the portunity for building such markets is immense.

Nevertheless, processed foods is a tough rket and is not for the squeamish. The estments required are large, particularly for ional level operation in establishing brands, d risks great. You will readily recognise that on national scale there are just two or three players en in established lines such as, say, chocolates or ft drinks.

We have a rather mistaken notion in this untry that manufacture of processed foods is a v technology affair. It is in fact a complex multi-sciplinary activity encompassing nutrition, emistry, bacteriology, toxicology, and process d preservation technology. If you add to this ckaging, delivery systems and specialised stribution that may often be necessary, e.g. nding machines, refrigeration, etc. — not to ention consumer safety aspects such as expiry tes which underscore production in line with ftake and extraordinary care in distribution, demanding responsibility in a large country like rs — the complexity will be obvious.

Lipton's past entries in some segments of e processed foods market did not meet with ccess on the scale targeted essentially because e fixed asset investments were not direct and rketing investments in brand building could be garded as sustainable only if the markets were panding. This apart, there was also the added st in relation to meeting competitive entry rriers, and inadequate synergy.

Lipton, let me assure you, is not risk-erse and will certainly venture forth into new eas of opportunities. In such future entries the perience we have gained will be of value.

Lipton has identified an interesting gment in Beverages market: Vending machine-sed Tea/Coffee Service for offices. After a ccessful test market in Pune, this service has en launched in Bombay. Our synergy with the verages market, we believe, makes Lipton Tea/ offee Service a promising opportunity. Customer rvice is of extreme importance in an activity like is, and steps have been taken to meet this bjective.

In the area of Edible Fats many novations are possible. Health has emerged as a ajor area of concern and to meet this important nsumer need, new products have to be veloped. Lipton is ideally positioned to undertake is. With modernisation of India's Food Laws, a eat deal can be done. One such area is margarine, less expensive, nutritious, health-supporting ead spread. Unilever is a world leader in argarine and Lipton will have access to their technological excellence.

The Indian edible oil scene has remained one of persistent deficiency for many years now. However, there now appears to be a glimmer of hope with breakthrough in production of oilseeds such as mustard/rapeseed, sunflower, and soyabean. Tremendous technical inputs have been marshalled to change the country's bleak edible oil picture. Improved availability of liquid oils herald good times for Lipton's Refined Oils business as loose oils dominate the market and there is an opportunity for conversion of consumers into users of packaged oils that assure quality and freedom from adulteration.

I have already mentioned Professional Markets Group in the case of speciality bakery fats where we have considerable knowhow available to us through Unilever which markets Masterline Bakery Fats world-wide.

In Dairy Products, through broadbanding, new products are to be introduced. Lipton has already introduced Milkana, a Dairy Whitener in a test market in West Bengal.

In the Animal Feeds business, we have two new products which appear very promising: Milk Plus, a feed formulation designed to boost milk yield; and, a Fish Feed which will make commercial pisciculture a profitable operation for farmers. While Milk Plus is already available to dairy owners, a plant is coming up in Vijayawada to produce the Fish Feed as customers will be the coastal farmers of Andhra who have taken to fresh water pisciculture in a big way. Both these products are the result of sustained R&D work and studies based on extensive feed trials.

Although there is still a keen debate and even worry about India becoming a "consumer market", the fact is that we cannot remain a pastoral economy. We need to globalise and compete with the rest of the world in terms of product quality and excellence. This alone will bring the fruits of technology to the common man for whose benefit many policies of the past were ostensibly designed, but alas, did not quite reach the intended beneficiary.

At Lipton, we are visualising a strong future in terms of aggressive and profitable growth in the domestic market with new activities, and, also in the export market. Already Lipton brands are well established both through direct exports and through our sister company, Hindustan Lever's global marketing network. With greater trade freedom, you can expect a steady stream of profit contribution from this as Lipton gets ready with its new strategy to strengthen exports, particularly value added exports. Lipton has always emphasized exports to hard currency markets and value addition and this will be of advantage in pursuing the ambitious goals in exports in coming years.

Conclusion

As I lay down the office as Chairman of your company this year, my thoughts go back to 1981 when I took over charge as head of Lipton's Tea Profit Centre and later as Chairman. I must confess that I looked upon this with trepidation as the losses were serious and the market share of Lipton tea brands had slipped down to 20 per cent. We set ourselves a simple three-point programme: to regain market share, to cut costs in order to get the balance sheet into shape, and, to return to the dividend list by 1984. With commitment from management and quick revitalising of inter-functional coordination began our journey back to financial health. The company became a multi-product business in that year. A better profit record enabled us to invest in building up capacities and modernise. It was heartening to see that our tea business began performing so well that for the first time in recent decades, it became worthwhile to invest in the business in order to grow. Management efficiency has to set an example and we leveraged idle assets and enhanced the strength of equity in brands. Modernisation, the coming in of new equipment, measures for waste reduction, exercises in paring costs, training to rebuild skills and awareness, all earned the trust and overall credibility of management in the eyes of our people. The risks we took in new businesses were consequently taken in stride.

We have a stronger team today and for me as I leave the company after 12 years of association with people at its helm, and down the line, this is a matter of great satisfaction and pleasure. Lipton will henceforth be operating in an era of freedom and abundance adapting its mosaic of talent to the needs of the market. I visualise that it will increasingly be an opportunity-led business.

Lipton India's scale of operations is undoubtedly big. But in the new liberalised atmosphere, can it continue to be regarded big? I would hasten to say that it may no longer be so. Lipton has therefore to grow substantially bigger and better in order to bring to consumers, who are at the heart of its business, many new value added products. I am confident that given its knowledge and tenacity the company will go very far with entrepreneurial spirit and energetic leadership.

This does not purport to be the proceedings of the Annual General Meeting. For the full text of this address in a booklet form, please write to: Communications Department, Lipton India Limited, 'Lipton House', 9/2 Mahatma Gandhi Road, Bangalore - 560 001.

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instance. To further strengthen itself in these core areas, Crompton Greaves' strategy is to bridge all the existing lacunae and expand its product range. "We will be concentrating a lot more on dry type transformers and become a major player in the arena. (At present Voltas holds that distinction.) Further, we plan to begin a new line of 800 kv transformers to add to our present line of up to 400 kv transformers," says Nohria. The aim is to maintain the current growth rate of 18-20% in these areas.

Attempts are also afoot at the Kanjurmarg (and Goa) fan-making plants to improve productivity. Although Crompton Greaves expects consumer products (fans and lights) to account for a lower share (today it is 21%) in the company's overall turnover, Crompton's fans have not been doing very well. The reason: wage bills are very high and fans are not a very high value-added product. Efforts are on, says Nohria, to raise the productivity in this department. With a dispute over the very same productivity clause, Nohria may have to try hard.

Setbacks. But industrial unrest isn't the only problem that Crompton Greaves is facing. Despite the fact that its bottomline looks pretty enough (see chart), Crompton's diversifications haven't always been a whopping success. Examples: its foray into personal computer (PC) manufacture in collaboration with Nixdorf came a cropper; as did its entry into television set manufacture. Nohria seems to have taken these failures in his stride. Says he: "We have always maintained that if within a reasonable time we do not assume a position of leadership we will vacate the area. I firmly believe that in any line only the first three are successful. All others are 'also rans,' and we are very clear that we do not want to be in that category."

Crompton Greaves ran into rough weather when Nixdorf (of Germany), with whom it had entered into a collaboration in 1989 to make its mark in the computer world, was taken over by Siemens in 1990. For obvious reasons the proposed company, CG Nixdorf, was not formed and Crompton Greaves' plan to make use of Nixdorf's expertise in computers was nipped in the bud. However, Nohria hasn't given up. He is still hopeful of gaining a foothold. Says Nohria: "Though we have had a setback we will continue in this field. At present our computer division is still very small and we are reworking our strategy. We plan to move out of PCs and will be setting up workstations with our own R&D efforts and will try to offer cost-effective solutions."

In televisions again Crompton Greaves failed to establish its presence. In fact, it had to bow out of the market after a short and undistinguished stint. According to Nohria, the problem started when their source (Crompton Greaves was not manufacturing its own sets) was unable to cope with the increasing demand and the quality began to deteriorate. "We realised that unless we have our own manufacturing and service network we will not be able to succeed," says Nohria.

In a sense, these two bloomers taught Crompton Greaves a lesson. For instance, in its fledgling domestic appliances division, the company is hiking its equity in source units to ensure quality control. The present product range includes automatic electric irons, kitchen machines and mixer/grinders, marketed mainly in the south and west. New products on the cards this year are: toasters, steam irons, heat convectors and water heaters. This year's plans also involve going national with the entire range of domestic appliances. Says Nohria: "We are doing reasonably well in this line. However, at present it is not a major division since the products do not give volumes worth the size of our company. One can make a real dent in this area only if one enters the white goods market."

Does Crompton Greaves plan to do so? Replies Nohria: "We are still examining the possibility and are studying the strengths and weaknesses of the present players to see if the investment is viable. But one thing is quite clear: branding alone will not work. We should either go the whole way or stay out."

But if things have been rough for Crompton Greaves in some of its divisions, it's been relatively smooth sailing in exports. At Rs 47.86 crore (including deemed exports of Rs 24.17 crore) exports in 1991-92 were 19% higher than the previous year's Rs 40.13 crore (including deemed exports of Rs 26.32 crore). The company's export target by 1997-98 is 10% of its total turnover.

To keep pace with technology, Crompton Greaves has forged over 20 technical collaborations with leading overseas companies. "In areas where the development is very rapid we have entered into agreements with foreign companies, but in slow-development areas we want our own R&D wing to be self-sufficient," says Nohria.

Despite the fact that earlier gambits — in television sets and computers — were flops, Nohria believes his company has emerged stronger. "We are today much more confident of succeeding in a buyer's market," says he. At Crompton Greaves today 'Big' is the three-letter buzzword. Nohria's goal for his company is clear: no piffling Rs 2,000-crore targets for him; instead he wants his company to emerge as a world class corporation in the next five to six years. With the kind of confidence he exudes, it may be well worth the wait to see whether he achieves it.

□ Meenu Shekar



CROMPTON GREAVES: FINANCIAL HIGHLIGHTS

	Turnover	Profit after tax
1988	345.96	6.17
1989	439.06*	13.80*
1990	517.31	15.90
1991	624.37	23.72

*Annualised

CEMENT CONSOLIDATION

Mysore Cements is aiming for the No 6 slot.

For Nand Lal Hamirwasia, president & chief executive of Bangalore-based Mysore Cements, the growth options are many: expansion, modernisation, acquisition, diversification et al. For the moment, however, the Rs 285 crore S.K. Birla flagship has preferred to stash up these plans for the morrow. The buzzword today is consolidation. And alongside are concrete efforts to tighten up its marketing act.

Says Hamirwasia: "We were actively looking at diversifying into sponge iron and heavy chemicals. But now these plans have been put on the backburner and it is time now for consolidation within the cement industry."

Mysore Cements does not want to diversify for the heck of it. That comes later — after the targets and goals on the cement front are met. Says Hamirwasia: "We want to move up from No 7 to No 6 in the cement industry."

And the Rs 500-crore gameplan to take Mysore Cements up the charts is ready at hand. The highlights:

- Raise the overall cement capacity of its units at Ammasandra in Karnataka, Damoh in Madhya Pradesh and Jhansi in Uttar Pradesh from the current 1.6 million tonnes per annum (tpa) to 2.2 million tpa by June 1993.
- Double the grinding capacity of the Damoh unit and add a 14 mw captive power plant there by May 1993.
- Set up a new 1.5 million tpa split-location cement unit at Raipur in Madhya Pradesh (with the cement plant in Raipur and the grinding plant somewhere in eastern India).
- Acquire a Saurashtra-based 1 lakh tpa sick mini cement unit.

But isn't expansion a safer bet than acquiring an ailing outfit with accumulated losses of over Rs 10 crore? Why is S.K. Birla keen on infusing fresh capital of over Rs 15 crore to turn the unnamed stretchercase around? Besides, if the sick unit were to be revived and its capacity doubled (which is precisely what S.K. Birla has in mind) one would need much more. Agrees Hamirwasia: "In that case, we have to bankroll as much as Rs 30 crore to make the unit fully profitable."



HAMIRWASIA: *Upbeat mood*

Port-based unit. Birla has a good-enough reason for seeing a goldmine in this sick outfit: the unit is served by the Porbunder port in Gujarat. None of Mysore Cements' units is port-based and for a company that is lustily looking at the export markets a port-based unit surely makes sense. Adds Hamirwasia: "We have been receiving a lot of export enquiries from Sri Lanka, Singapore, Thailand, Indonesia, the Philippines, Hongkong, Australia, Nigeria and some Latin American nations among others. The Saurashtra unit can certainly be geared up to meet the demand from the African and West Asian markets."

The export target has already been identified: at least 2 lakh tpa by end 1995-96. What should make the company's task that much easier is its presence in Malaysia where it has set up a Rs 40 crore oleochemicals unit in partnership with the Nalin group of companies (S.K. Birla's Malaysian group of companies). Says Hamirwasia: "We are confident of bagging the Saurashtra plant and thus sure of hitting the export target."

Not that Mysore Cements is the sole bidder for the Saurashtra unit. The Bajorias of Calcutta, the Hyderabad-based Nagarjuna group and some non-resident Indians are in the fray. But Hamirwasia feels his company is the best suitor. Says he: "We are the most eligible among the bidders as we have a spare plant of 1 lakh tpa capacity at Ammasandra."

Hamirwasia's plan of action is two-pronged: one, modernise the first two plants at Ammasandra at a capital cost of about Rs 20 crore. And, two, shift one of them to the Saurashtra unit to be acquired (thereby doubling the capacity there) and sell the other to the Porbunder-based Saurashtra Chemicals, an S.K. Birla stablemate. Says Hamirwasia: "Doubling the capacity of the sick unit is essential for turning it around. After these plans are through, the S.K.Birla group should have in all seven cement plants under two companies, a total capacity of 4 million tonnes and hopefully an export record of about 2 lakh tonnes which can be pushed up to 5 lakh tonnes in the next three-four years."

The mood at Mysore Cements is certainly upbeat. One reason for this

could be the financial results for the year ended March 1992. On a turnover of Rs 288.64 crore, the company posted a profit after tax of Rs 24.09 crore — a 124% jump over the previous year's figure of Rs 9.93 crore.

However, the road ahead won't be all that smooth. The company has to contend with the persisting ills of this power-intensive industry. For one, coal supplies in Ammasandra are not all that encouraging and the quality of coal is not much to write home about. Agrees an executive of Gujarat Ambuja Cements: "The quality of coal is inferior down south and most plants out there have to be content with supplies of just about 50-60% of their requirements."

Hamirwasia, however, is unfazed. According to him, on the anvil are plans to source lignite from the Neyveli mines in Tamil Nadu and use agricultural waste to generate energy.

Marketing thrust. Mysore Cements is also widening its marketing network. The thrust now will be on Gujarat and, to a lesser extent, Maharashtra. Currently, the company has 15% and 20% of the Karnataka and Uttar Pradesh markets respectively in the bag. At the national level, it has a 4% marketshare. Explains Hamirwasia: "We see the western region turning cement-deficient in two years and it is about time we concentrate on this growing market."

That makes sense. Maharashtra has not seen any new cement plant coming up for some time now. What's more, none of the existing units — Larsen & Toubro's at Awarpur, ACC's at Chandrapur and Century Textiles' at Manekgarh — is thinking expansion. And Mysore Cements sees an advantage on the transport cost front too: the Madhya Pradesh unit will be able to serve the Maharashtra and Gujarat markets cost-effectively. Says Hamirwasia: "We are also tuning in to the east, as we can supply clinker cost-effectively right from our Raipur plant and grind it in West Bengal."

Hamirwasia certainly has it all worked out. But he will also have to contend with the 1992-93 budget proposals which threaten to take some sheen off Mysore Cements' bottomline for the current year. Excise is up from Rs 225 to Rs 295 per tonne and special excise from 10% to 15%. Says Hamirwasia: "Add to this the freight rise of Rs 2 per bag (of 50 kg) and the total cost-push per bag works out to Rs 10."

That, however, is no damper to his enthusiasm. Says he: "We will pass on the hike gradually as demand builds up and we are sure it will." His confidence is not misplaced: the replacement cost of Mysore Cements' plant and machinery is upwards of Rs 600 crore and the capital cost originally incurred by Mysore Cements was just about half that figure. This gives the company a definite edge over new plants in pricing its cement.

It is this competitive edge that could well see Mysore Cements inching its way up to the No 6 spot and cementing its presence there for some time — before it begins gunning for No 5.

□ A.H. Ghani

MYSORE CEMENTS: FINANCIAL HIGHLIGHTS

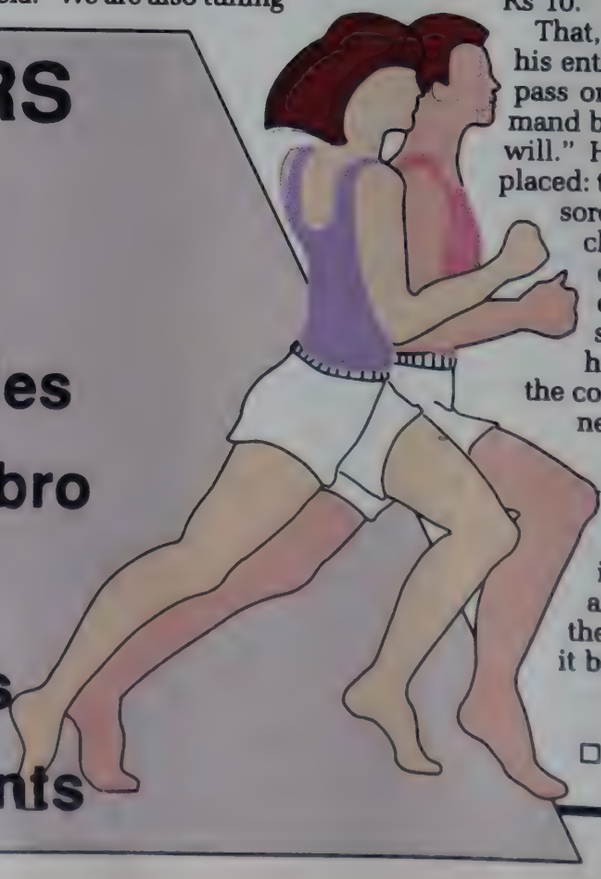
(Rs crore)

	6 months ended 31 Mar 92	6 months ended 31 Mar 91	Year ended 31 Mar 92	Year ended 31 Mar 91
Gross revenue	153.06	133.56	288.64	232.56
Gross profit	21.70	21.70	43.55	28.48
Profit after tax	12.07	12.91	24.09	9.93
Equity share capital	19.23	19.23	19.23	19.23
Free reserves (excluding revaluation reserves)	—	—	44.03	24.03
Earning per share (Rs)	12.55*	13.43*	12.53	5.16
Gross margin (%)	14.18	16.25	15.09	12.25
Net margin (%)	7.89	9.67	8.35	4.27

* Annualised

THE LEADERS

1. ACC
2. Birla Jute
3. Century Textiles
4. Larsen & Toubro
5. Grasim
6. India Cements
7. Mysore Cements



THUMBS DOWN?

The chips are down for Pepsi Foods.

It had everything going for it — name, fame and the edge of being one of the best in the game. Yet, two-and-a-half years after it entered the Indian market with a lot of pomp and show, Pepsi Foods Ltd (PFL) is still grappling for the correct solution to its problems. At the end of the current financial year, the accumulated losses of the multinational subsidiary are expected to be a whopping Rs 60 crore, nearly two times the extrapolated figure.

Consequently, the operational breakeven year, which was earlier projected as 1993, has now been extended to 1995. And the complete breakeven, when accumulated losses will be wiped out, is expected to come only six years later. Not just this. The right choice has actually proved to be a wrong one as far as beverages go. Last year, as against a target of 20 million cases of beverages, only 15 million were sold. This year, the projected figure is 25-28 million cases, but the company expects to sell only 17.5-19 million cases.



VANGAL: *In for the sack?*

And, for all its marketing savvy, PFL has managed to crawl along to a 20% share in the soft drinks market, way behind Parle's 55-60%. In fact, market sources claim that in 1991-92, Lehar Pepsi sales dropped by nearly 23% while 7Up sales plunged by about 50% over the previous year. The company has done well only in Punjab where Lehar Pepsi sales have gone up by about 25%. Defends executive director (beverages) Ravi Dhariwal: "There was an unrealistic expectation that Pepsi will come and railroad over everybody else. The fact is that in no consumer product business can you make an entry and become a leader immediately."

Especially if it is one like Pepsi, bottled up by the clauses of its original agreement and fuzzed with controversies. In fact, recently, one controversy that has shaken the very roots of this fledgling multinational is the news report that the days are numbered for its high-profile CEO Ramesh Vangal. Company sources say ever since the item was first published in a leading national daily in the capital, the phones at PFL have never stopped ringing. Hits out Vangal, in an effort to scotch, what he calls, "baseless rumours:" "That I am on my way out has no basis. I have always been a part of the parent company's senior management and I still am. I have no intentions of quitting Pepsi. And, if you think PepsiCo Inc is unhappy with me, ask any member of its management."

Whether he is right only time will tell. As it stands today, PFL is one trouble that this 37-year-old troubleshooter has been unable to kill, yet. In the last year-and-a-half, a lot of changes have swept across the Pepsi corridors. A couple of senior managers have bowed out and franchisees in Jaipur, Andhra Pradesh and New Delhi have been replaced. Says Parle Exports commercial manager Thomas Chandy: "So many changes in such a short time means something is wrong somewhere."

Improved performance. What can be granted to the company, however, is the fact that it has managed to improve its performance over last year in two crucial areas of its business: exports and agro-processing. Consider the figures. In the first partial year of March 1990-91, PFL exported to the tune of Rs 9 crore. During the corresponding period in 1991-92, the exports went up to Rs 23 crore. And, in the current fiscal year, exports are expected to touch Rs 60 crore.

That's not all. Exports have constituted about 60% of PFL's total turnover so far, way ahead of the 50% export commitment stated in the letter of intent dated 19 September 1988. "Today, we have become an export house and, for the first time, we are beginning to feel good about exports," says Vangal proudly.

But, all along, the focus has been on value-added exports — rice, tea, shrimps, footballs, plates and trucks made by Swaraj Mazda according to PFL specifications — which rivals dismiss as desperate attempts to meet trade obligations. Criticises Chandy: "Pepsi's exports is merely a case of getting somebody else's exports in your name. By the original agreement, they were expected to export their own products, that is, soft drink concentrates, snackfoods and tomato paste. What happened?"

Well, the shrewd international marketer is trying to live down this criticism as best as it can. Last year, the multinational processed 3,000 tonnes of pear and exported pear juice concentrate to the US. This is in addition to the six other flavours already on sail to the Big Apple — mango, pineapple, papaya, banana, guava and mixed fruit. And it exported nearly $2 million worth of tomato paste last year. To top it all, the latest feather in

its bonnet has been an export order for 800 tonnes of tomato paste from Khagome, the Japanese supplier to Pizza Hut, PepsiCo's restaurant chain.

There's more to come. Next month, the company plans to start the processing and export of chilly paste to east Asia and, by year-end, it envisages export of ketchup and canned tomato paste to west Asia. The company is even looking at export of fresh kinnows. "Pakistan exports 28,000 tonnes of kinnows to west Asia every year. There is no reason why we can't. Only, certain facilities like waxing and chartered flights with chilling facilities will be needed," says PFL executive director (foods business) Amit Bose.

The American giant is not trying to gain ground in exports alone. Its agro-processing business is also being chiselled deeply. Last year, the company processed 29,000 tonnes of fruits excluding potatoes. This year, it ended up close to 40,000 tonnes. "What we'd said was that by year five, that is 1996, we would be processing 80,000 tonnes. So, we are doing well," asserts Bose. For once he is not bragging. The total tomato crop production — the first crop that PFL concentrated on for the first two years — in Punjab has gone up from 15,000 tonnes in 1989 to 1 lakh tonnes at the end of 1991-92 and the tomato season has been extended from 30 days to 150 days. In fact, this year the company expects to close this business without losses. Last year, it lost about Rs 2-3 crore.

Problems galore. Despite the good tidings, there are problems galore. For one, its snackfoods business continues to be in the throes of crisis even after the relaunch of Hostess. The cheese brand, Cheetos, has as good as vanished from the shelves, though Bose has a ready explanation. "Cheetos has developed into a strong niche brand. Hardcore Cheetos loyalists buy the brand in large volumes and, typically, they also like cheese. We've allowed Cheetos to remain on the cheese base. We've not attempted to make it a mass-based product," he says.

Company officials even claim that snackfoods sales this year will be nearly three times over last year. They also plan to flood the Indian shelves with a host of new products after the monsoons.

PEPSI FOODS: COLD COMFORT

Division	Sales turnover *(Rs crore)*		
	1990-91	1991-92	1992-93*
Snack food processing	1.72	3.76	13.00
Soft drink concentrate	2.59	8.09	17.00
Fruit processing	0.06	1.24	12.00
Exports	9.59	22.92	60.00
Total	**13.96**	**36.01**	**102.00**

* Projected figures

Rivals, however, disagree. According to them, PFL's snackfoods sales have remained at Rs 1.73 crore over the past two years and show little chances of picking up.

So, where did PFL go wrong? For one, it was over-confident and underestimated the Indian market. So, at each step, it has seemed like a slow-moving monolith, being constantly upstaged by far-nimbler rivals — be it Parle or Amrit Banaspati (the maker of Uncle Chipps').

Also, political changes and large-scale opposition delayed the project by nearly two years, escalating costs from Rs 22 crore to nearly Rs 100 crore. But, most important, critics feel that the bane of its troubles was its shoot-from-the-hip style of management. As a close observer puts it: "Their prime aim was to enter India. In the process, they started raising expectations. And, while this was being done, not enough backward planning was done."

At the moment, the much-maligned multinational is lobbying with the government once again, this time for more liberal terms and conditions. Some of its suggestions include increased equity capital; a change in its shareholding pattern; a revision of terms of approval, in line with the new industrial policy; the use of brand-names and trademarks of PepsiCo for products meant for domestic consumption and revocation of the restrictions on import of proprietary ingredients; and allowing imports as per the import policy.

If the government agrees to the PFL proposal, then PepsiCo Inc will increase its equity from Rs 9.97 crore to Rs 35.48 crore and Voltas will raise its share from Rs 6 crore to Rs 35.48 crore. The third partner, Punjab Agro Industries Corp (PAIC) will, however, not raise its holding, which will remain at Rs 9.03 crore. In fact, according to the new proposal, if PAIC disinvests further, its disinvestment will be taken up by PepsiCo Inc.

But, most important among all this is PFL's application for a revision of the 25% limitation on soft drinks, as part of its total turnover. And Vangal makes no bones about his intentions. "All we ask for is an equal footing with our rivals (read Coke)," he says.

In the process, however, he is again raising a lot of heat and dust. Accuses Parle's Chandy: "Till 1991, Pepsi considered all these conditions as opportunities and not penalties. Why are they asking for a change now? Are they, then, admitting that the terms were a penalty for them?"

Maybe, maybe not. The fact remains that given the impending entry of Coke into India, PFL is feeling unsettled once again. And, quite soon, it may be a case of mistaken identity. Will PFL, the foods conglomerate, become PFL, the soft drinks giant, after all?

□ Mahasweta Ghosh Roy

BRIEFS

■ Parvinder Singh's **Ranbaxy Laboratories**, which is working on a globalisation plan, proposes to set up a joint venture in Ireland and Canada to improve its presence in Europe and North America. The company plans to set up joint ventures to manufacture bulk drug formulations.



SINGH: *Seeking joint ventures*

■ **Nicholas Laboratories** is making a major thrust into the manufacture of drugs outside the purview of the Drug (Prices Control) Order. The company has recently commissioned a Rs 15-crore formulation plant to manufacture sterile liquids, capsules and tablets at Pithampur in Madhya Pradesh.

■ **Universal Cables** and **Vindhya Telelinks**, two companies of the M.P. Birla group, have signed a joint venture agreement with Ericsson Cables AB of Sweden. Under the agreement a new company, Birla Ericsson Optical, is being formed to manufacture optical fibre cables.

■ Kudremukh Iron Ore Co Ltd (**KIOCL**), the country's largest iron ore mining company, will invest Rs 850 crore in the eighth plan on various schemes including a pellet plant at Mangalore with an annual capacity of 3 million tonnes. KIOCL chairman & managing director A. Krishnamurthy says the estimated cost of the pellet plant is Rs 270 crore, and the proposal is awaiting clearance from the Public Investment Board.

■ **Sunrise Polycon** proposes to set up a plant to manufacture 13,200 tonnes per annum (tpa) of spray-dried silica/ white carbon in technical and financial collaboration with Samyoung Chemical of South Korea. The Korean partner has agreed to contribute 40% to the company's equity. The project is being set up at Ramnagar in Uttar Pradesh at a capital outlay of Rs 21.35 crore.

■ Tata Iron & Steel Co's (**Tisco's**) bearings plant at Kharagpur in West Bengal has completed its programme to expand its capacity from 5.2 million bearings to 10 million bearings. The Rs 42 crore project has been totally designed and executed by Tisco's projects division.

■ Stone & Webster, the US petrochemical engineering firm has been chosen to build Reliance Industries Ltd's (**RIL's**) proposed Rs 1,400 crore cracker plant at Hazira in Gujarat, says *The Economic Times*.

■ Kothari Industrial Corp Ltd (**KICL**), the flagship of the Rs 130 crore D.C. Kothari group, has floated a joint venture with R.J. Brown of Singapore to take up project contracts in the fields of engineering, oil drilling and offsite support facilities, both inside and outside the country. KICL chairman & managing director P.D. Kothari says government approval is expected shortly for the new subsidiary, Kothari-Brown Engineering.

■ **L&T McNeil** of Madras, a joint venture between Larsen & Toubro and McNeil Ahron of the US, has gone in for a major diversification programme with an investment of Rs 12 crore. Company chief executive K.V. Mathew says that, with technical collaboration from Germany, the company has diversified into the manufacture of machines for the plastic industry. L&T McNeil makes machines for the rubber industry.

■ Ballarpur Industries Ltd (**Bilt**), a Thapar group company, is foraying into biotechnology and health foods. It is setting up a plant at Nanjengouda near Mysore with a capacity of 250 tpa to manufacture Spirulina, touted by scientists as one of the most nutritious natural foods in the world.

■ Calcutta-based engineering firm **Usha Martin** is setting up a precision forging unit at Baramati in Maharashtra in technical collaboration with SKF of Germany. In order to strengthen its core business of steel and wires the company has also drawn up modernisation and diversification plans at its Jamshedpur and Ranchi units.

■ The **Gujarat Ambuja group** proposes to diversify into the manufacture of HR (hot rolled) coils. It has decided to float a new venture, Gujarat Ambuja Steels, for setting up an integrated plant to manufacture the coils from iron ore, according to group chairman Vijay Kumar Gupta. An investment of Rs 511 crore has been envisaged for the project, to be set up at Bharuch in Gujarat. The company has signed a memorandum of understanding (MoU) with Chinese firm Shougang Corp for the supply of technology and critical equipment.

GUPTA: *Going for diversification*



BRIEFS

■ Union Carbide India Ltd (**UCIL**) is gearing up to storm the housing market with its new 3D technology for an industrialised building system in the country, says *Financial Express*. The company is planning to collaborate with EVG, based in Austria and the US, and is scouting around for an Indian marketing partner.

■ The Baroda-based **Trigon Metal Sections** is diversifying into the manufacture of zinc oxide and is setting up a 100% export-oriented unit (EOU) at Baroda. For this it has floated a new company, Trigon Zinco Products (TZP). Although there exists a substantial demand for zinc oxide in the country, TZP has signed a pact with Globe Trading of the US, which will buy its entire output at prevailing international market rates.

■ Guest Keen Williams (**GKW**) is diversifying into engineering consultancy, leasing and property development. Though plans are yet to take a definite shape, the management is determined to give the company a wider product base. With the merger of the Durgapur-based Sankley Wheels with GKW, the company has now added automotive wheels to its product range.

■ The Delhi-based **R.P. Mittal group** is planning to set up a Rs 70 crore sponge iron unit at Raipur in Madhya Pradesh. Orde Industries (the group's flagship company) managing director R.P. Mittal says the plan for the proposed unit will be finalised by the end of the year. The unit will have an installed capacity of 1.5 lakh tonnes. The group is also setting up a 100% EOU at Hissar in Haryana to manufacture cotton yarn under the banner of the newly-floated Orde Textiles.

■ The India Tourism Development Corp (**ITDC**) plans to reorganise its operations into several autonomous units, says *The Observer of Business & Politics*. The rationale behind the proposal is to convert the monolithic structure of ITDC into four or five semi-autonomous entities based on the hotels' geographical locations. The proposal is pending with the ministry of civil aviation & tourism for clearance.

AWARDED

■ The Housing & Urban Development Corp (Hudco) has once again been selected for the award of **excellence in architecture — 1992** by the *Journal of Indian Architects* for the design of its housing project near Pimpri Chinchwad near Pune. The project has been designed by Hudco executive director (design & development) M.N. Joglekar.

■ Councillor Lata Patel has been given the **Arch of India gold award** by the NRI Institute at Detroit in the



LATA PATEL: *Award time*

US. The wife of well-known businessman K.D. Patel, London-based Lata has a string of achievements to her credit since she arrived in the UK from Uganda 20 years ago.

■ Petrofils Cooperative, a joint venture of the Union government and weavers' cooperatives near Baroda, has been awarded the US National Safety Council's **international safety award** for the longest accident-free period in 1991-92. The country had earlier bagged the award in 1989 and the Gujarat state safety award in 1988.

■ Transelektra Domestic Products Ltd (TDPL) chairman R. Mohan has been awarded the **Udyog Vibhushan** for excellence in industrial performance. The award was presented in New Delhi by planning commission deputy chairman Pranab Mukherjee at the 11th economic development conference of the Institute of Trade & Industrial Development. TDPL is known for its Good Knight mosquito repellent.

HAPPENINGS

■ The *Guinness Book of Records* has recognised **Air-India's** effort of airlifting 1.11 lakh stranded Indian nationals from Amman to Bombay between August and October 1990 after Iraq invaded Kuwait. Air-India then operated 488 flights in association with Indian Airlines.

■ The All-India Plastic Manufacturers' Association will be the largest participant at **Arabplast '92** to be held in Dubai between 22 and 26 November 1992. The association has booked a fifth of the display area.

■ The fourth annual management education convention on **Management strategies for the changing scenario** will be held at the XLRI campus in Jamshedpur between 20 and 22 August 1992. The convention has been organised by the Association of Indian Management Schools (AIMS). The convention will give awards for the best teacher from member institutions of AIMS and for the best research paper.

■ The Creative Communication and Management Center is organising a two-day practice-oriented workshop seminar on **Communication & customer interaction for service personnel** at SeaRock Sheraton in Bombay on 11-12 August 1992. A similar seminar will be held at the same venue on 29-30 January 1993.

■ With nearly 580 sq metres booked by 35 companies, India tops the list of countries participating in **Asia Silk '92** to be held in Dusseldorf, Germany, from 6-9 September 1992. India is followed by China, South Korea and Thailand. Ten Asian countries are participating.

SPECIAL REPORT

THE MUTUAL MIRAGE?

Private sector mutual fund aspirants are thinking twice.

A few months ago it was all the craze. When the Securities & Exchange Board of India (Sebi) unveiled the guidelines for private sector mutual funds in February this year, the entire corporate world seemed to be in the queue to set up asset management companies (AMCs) — prerequisites for mutual funds. Sebi received 64 applications complete in all respects and some 200 more were in the pipeline. "There was a rush for applications," agrees Sebi chairman G.V. Ramakrishna.

All the big names were in the picture — the Tatas, Birlas, Ambanis, Thapars, Muthiahs, Nandas, Ruias, Singhanias, Pais of Manipal, Shrirams, Dhoots, Mallyas and Mafatlals; in fact, almost everybody had been bitten by the mutual fund bug.

Today, with bankers and brokers in bad odour and the stockmarkets in enforced hibernation, the picture looks rather different. "It was just the initial euphoria," says Bombay-based Kotak Mahindra Finance vice-president Nair Kumar Chandran. Kotak is one of the mutual fund aspirants (the Uttar Pradesh State Industrial Development Corp has sounded out the company to jointly float an AMC). And it is still going strong. But, says Chandran, the herd is thinning. "Once the implications of the operative guidelines are fully understood, not more than 25 will be left in the fray," he adds.

Chandran's is not a lone voice. There are many in the financial world who would go along with him. And there are reasons aplenty. For starters, the popular perception has been that floating an AMC means control over a large cache of funds. This is why all and sundry, with no synergy between their existing lines of business and mutual funds, have hit the AMC trail.

But the Sebi guidelines (see box) make it clear that industrial houses will not be able to make merry with the reservoir of funds. The AMC can only act in a fiduciary capacity and manage the fund — nothing more than that. It is clear from the guidelines that the AMC cannot invest more than 3% in the sponsoring company, nor can it advance term loans to the latter (in fact, no term loans can be advanced for any purpose).

Moreover, if the sponsoring companies consider the mutual fund route an ideal way to gain a toehold in the taking-off capital market, they should think twice. Says Bombay-based 20th Century Finance Corp chairman & managing director Davendra Ahuja: "It is going to be a tightrope walk for the fund manager to minimise risk and maximise the returns for the investor." The implication: those entering the business just for the heck of it could easily burn their fingers.

Forget the question of control over funds. AMCs do not make much sense if expected return is the critical parameter either. Why should a business house earning a return on capital employed upwards of 15% get into a risk-laden venture where the returns are relatively peanuts?

The minimum net worth prescribed for an AMC is Rs 5 crore and unless it is sure of earning at least 20% the game is not worth playing. Says Indian Bank Mutual Fund executive vice-president U.R. Bhat: "I do not understand the rationale behind business houses raring to enter an unrewarding business."

Besides, there are the economies of scale. Though mutual funds with a small corpus will be easily manageable and manoeuvrable, funds with a corpus of less than Rs 100 crore are going to be uneconomical. How many of the aspirants will be able to mobilise Rs 100 crore and more? Says Bhat: "Yes, one Tata and another Ambani can, but not everybody. And I am not sure that even those who can will be able to show results."

Pedigree will no doubt be the critical factor in mobilising public funds, but not performance. Says S.V. Venkatesan, a director on the board of the Essar group of companies (India Securities, the investment outfit of the group, has sought Sebi approval for its AMC): "Though we are interested in beginning with a Rs 50 crore fund, there has to be an economic size. At least, we have an excellent track record and a large body of loyal shareholders to bank upon."

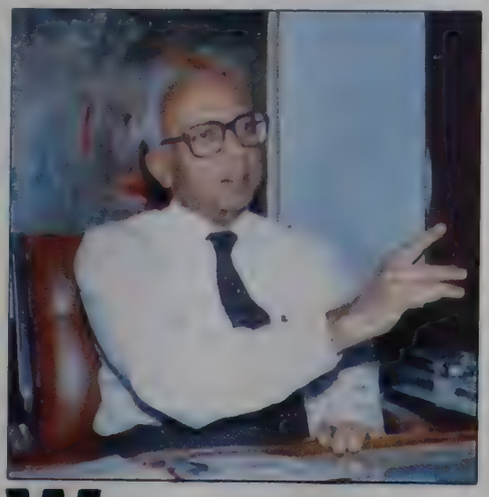
PUBLIC SECTOR MUTUAL FUNDS' SCHEMES A SCORE CARD

No of Schemes	UTI	LIC MF	Canbank MF	SBI MF	Indbank MF	PNB MF	GIC MF	BOI MF
(i) Close-ended Schemes	42	11	11	11	6	4	3	3
(ii) Open-ended Schemes	6	4	2	—	—	—	—	—
(iii) Offshore Funds	2	—	2	1	—	—	—	—
TOTAL	50	15	15	12	6	4	3	3
(i) Income Schemes	34	5	4	3	2	1	—	1
(ii) Growth Schemes	11	—	6	2	4	—	—	2
(iii) Others	3	10	3	6	—	3	3	—
TOTAL	48	15	13	11	6	4	3	3

NOTE : OFFSHORE FUNDS NOT INCLUDED IN THE SECOND CATEGORY

SPECIAL REPORT

But managing a fund is quite different from running a manufacturing or trading outfit. It calls for market savvy, street-smartness and ability to strike the right balance between growth and income goals, between risk and returns. Multiple mutual funds as a concept is a recent phenomenon and, particularly after the securities scam and the erosion in equity values that has followed, it will be some time before investor confidence in equity is restored. Says Bhat: "Entry into the industry will be easy, not survival. It is going to be a marathon task for the future entrants to remain ahead of the pack."



We are fine-tuning the guidelines and it will be a continuous process

G.V. Ramakrishna, chairman, Sebi

Consider this simple arithmetic: by and large it is going to be a tough task for any private sector mutual fund to raise more than Rs 100 crore for its various schemes (though there will be exceptions) in a competitive scenario. As per the guidelines, an AMC can earn a maximum fee of 1.25% which works out to Rs 1.25 crore for managing a fund of Rs 100 crore.

Then there are overheads — office rent, salaries and stationery — which could add up to a conservative Rs 80 lakh (assuming a minimum office space of 3,000 sq ft in the vicinity of the bourses and a manpower of 30 including at least five top fund executives). Round up the other overheads to a low of Rs 20 lakh. That leaves the AMC with just Rs 25 lakh.

The corporate tax incidence for the AMC is 40% on that (Sebi's guidelines strongly suggest that an AMC be a limited company) and the take-home of the sponsor whittles down to Rs 15 lakh. What kind of a return does that work out to on the sponsor's capital of Rs 5 crore? A piffling 3%. Does it make sound business sense for corporate players who can certainly earn more than this in their existing lines of business? Adds Bhat: "It is certainly not worth the effort for the corporate sector."

Some have seen the light early. Says Housing Development Finance Corp (HDFC) deputy managing director Deepak Satwalekar: "We are not interested in floating an AMC. Why should we go for an AMC as a business proposal where the returns will be just about 3% or even lower? Why be part of the lemming scenario?"

That apart, the ability of an AMC to dole out decent returns to investors year after year will come under the severest of tests particularly when the price/earnings ratio of the Indian stockmarket is still high (even after the precipitous fall stock indices have seen in the wake of the scam). And there are not many blue chips around to be picked at bargain levels.

To add to woes, Sebi guidelines explicitly bar mutual funds from obtaining preferential allotments from promoters' quotas in the case of fresh capital issues. Sans such preferential allotment, cost of investments is bound to go up which will, in turn, put a squeeze on the effective returns.

With so little going for it, why are so many seeking to join the mutual fund bandwagon? Says Satwalekar: "The intentions are not honourable." Adds 20th Century's Ahuja: "AMC has become a fashionable word to utter and businessmen feel it is the in thing today." But they won't be able to keep their heads above water. That's what happened when the leasing boom was on in 1985. As many as 400 leasing companies mushroomed during a short span of three years and today many of them have vanished without a trace.

The AMCs are perhaps more disadvantaged than the leasing companies. Those among the latter which have managed to survive and succeed are the ones offering the whole package of alternative financing solutions — hire purchase, bill discounting, underwriting and portfolio management, besides leasing. Which means managing just a mutual fund is not going to be rewarding for the AMC (AMCs are prohibited from carrying on any other business other than management of the mutual fund). Agrees Ahuja:



AMCs cannot survive doing just mutual funds business, which is the only thing they have been permitted to do

Davendra Ahuja, CMD, 20th Century Finance Corp

"AMCs cannot survive doing just mutual funds business, which is the only thing they have been permitted to do."

One certain fallout of the private sector entry into the hitherto cloistered area of mutual funds is that it will separate the men from the boys. Says HDFC's Satwalekar: "This is already happening." True. While the Unit Trust of India's (UTI's) recently-launched schemes have been receiving overwhelming response, this has not been the case with the schemes of other public sector mutual funds. It should cause no surprise if many private sector AMCs fall by the wayside. Adds Bhat: "The stockmarket is a great leveller and most of

SPECIAL REPORT

THE SEBI NORMS

Following are the highlights of the Securities & Exchange Board of India (Sebi) guidelines for establishing private sector mutual funds:

- Mutual funds should be sponsored by registered companies with a sound track record and established in the form of trusts. They should be operated only by separately established asset management companies (AMCs).
- AMCs should at all times have a minimum net worth of Rs 5 crore, a sound track record and general reputation. Its directors should have at least 10 years of professional experience. At least 50% of the board should be independent directors. No person should be a director of more than one AMC.
- An AMC should not be allowed to act as the trustees of a unit trust and undertake any other business activity. An AMC or its affiliate acting for a fund cannot act as the AMC for any other fund.
- Trusteeship functions should be carried out by separately established trust companies. At least 50% of the board of trustees should be independent outside members.
- The AMC should submit a quarterly report on the functioning of the mutual fund to the trustees, who in turn should submit a half-yearly report to Sebi and send out annual reports to the investors.
- The mutual funds should use the services of a custodian registered with Sebi, and such custodians should be independent of the AMC.
- Mutual funds should be allowed to start and operate both close-ended and open-ended schemes. For each close-ended scheme, the mutual fund should be required to raise at least Rs 20 crore and for each open-ended scheme at least Rs 50 crore.
- The entire subscription should be refunded if: Rs 20 crore or 60% of the target amount, whichever is higher, is not raised in the case of close-ended schemes, and Rs 50 crore or 60% of the target amount, whichever is higher, is not raised in the case of open-ended schemes.
- Mutual funds should not be permitted to keep close-ended schemes open for subscription for more than 45 days. For open-ended schemes, the first 45 days of the subscription period should be considered for determining the target figure or minimum size.
- Mutual funds should provide continuous liquidity and close-ended schemes should be listed on stock exchanges. For open-ended schemes, mutual funds should repurchase units at pre-determined prices based on net asset value and such prices are published once a week.
- Each scheme should have a clearly identified and responsible fund manager.
- Mutual funds will be allowed to invest only in transferable securities. Privately-placed debentures and other debt instruments should not exceed 10% in the case of growth funds and 40% in the case of income funds.
- No mutual fund can give term loans for any purpose, invest more than 5% of its corpus in the voting shares of any one single company, invest more than 10% of its funds in the shares and debentures of a single company, invest more than 15% of its funds in the securities of any specific industry and lend or invest in another scheme under the same AMC.
- Mutual funds should take and give delivery of scrips and shall not engage in short selling or carry forward dealings and *badla* finance.
- The AMC may charge the mutual fund and this is subject to a ceiling of 1.25% of the weekly average net assets outstanding in the current year if the net assets do not exceed Rs 100 crore and 1% of the excess amount over Rs 100 crore.
- All mutual funds must distribute a minimum of 90% of their profits.

the aspirants will be soon reduced to a common denominator."

There is another limitation the prospective mutual funds will have to face. In a bid to charm investors and their funds, they will have to offer differentiated investment products. With nearly all permutations and combinations among growth/income/tax-saving schemes already on offer, it will be worth watching whether the hopefuls can offer anything substantially different. If they cannot, they run the risk of ending up as me-toos and eventually laggards.



I do not understand the rationale behind business houses raring to enter an unrewarding business

U.R. Bhat, executive vice-president, Indian Bank Mutual Fund

And, of course, they have to hardsell their investment products. In any competitive scenario, marketing is a must and costs quite a packet and a lot of energy and time. But the guidelines explicitly state that the initial issue expenses should not exceed 6% of the funds raised under each scheme.

Given these constraints, the critical mass, according to industry pros, is about Rs 100 crore and more for growth schemes and between Rs 200 crore and Rs 300 crore for income schemes. Says Bombay-based Ind Global Financial Trust director R.

SPECIAL REPORT

THE HUNT FOR TALENT

It is a people problem. The mutual fund aspirants from the private sector have been, of late, gripped with a major issue: how to get resourceful and result-oriented fund managers? When it was application time, nobody gave much thought to this aspect. But now there are some furrowed foreheads. Says Essar group director S.V. Venkatesan: "How to source skilled manpower is going to be the major worry of all prospective mutual fund entrants."



KOTAK: *Looking within the company*

The worry is not without basis. Managing a mutual fund is a highly people-oriented business and in every department the need will be for sharper and smarter minds. Monitoring scrips on a continuing basis, fundamental and technical analyis, identifying investment opportunities and the right time to buy and sell, monitoring bonus, rights and dividend announcements and following them up, transfer of securities, well, there is lot to back-room support services.

The major search, however, is going to be for a savvy fund manager, the No 1 man in a mutual fund. Currently all experienced fund managers are with public sector bank-sponsored mutual funds and some poaching is going to be inevitable.

Will that mean a situation where too many mutual funds are chasing too few fund managers? What are the mutual fund dreamers from the private sector doing about it? Yes, some of them are already working at it, and have formed a fairly reasonable idea of how to source talent.

Kotak Mahindra is banking on talent from within the parent sponsoring company. The idea is to provide opportunities to promising insiders, while steering clear of paying fancy pay packets to an outsider. Says managing director Uday Kotak: "It is better to have somebody who has been with us for some time as the person is familiar with the organisational culture and will be able to interact with other colleagues."

That is fine. But, one cannot expect to staff the asset management company (AMC) fully from within. Then, what about those companies without any business exposure in financial services and yet raring to float an AMC? Of course, they have to look outward. The first probable hunting place is going to be the management institutes and bright MBAs are certain to be lapped up. Says Indian Bank Mutual Fund executive vice-president U.R. Bhat: "Soon, working with AMCs might become the most paying profession."

What kind of a remuneration package do AMCs have in mind for their fund management team? A hike of 25-50% over what the current crop of MBAs are getting elsewhere will be okay to lure them, they feel. But there is one important thing the prospective funds have to do to keep their wage bill down: have a lean fund organisation. Say, a staff of about 10 for a Rs 100-200 crore fund.

Consider what Kotak Mahindra has in mind: evolve a team of 10 MBAs who have reasonable exposure to ground-level realities and divide them into teams depending on the number of investment schemes. Support them with a robust research team (about 20 member-strong), besides legal and marketing teams (Kotak Mahindra plans to tap the Ficom marketing network to the hilt). Make a macro-economist head of the research group to be supported by industry and company specialists. Add a 12-member panel of advisors, all impartial outsiders. Says Kotak Mahindra vice-president Nair Kumar Chandran: "The advisory panel will have an economist, a technocrat and even a specialised stockmarket and business journalist."

Kotak Mahindra is not the only one looking within for talent for manning the mutual fund. The Videocon group is one another instance. Says S.K. Shelgikar, a director on the board of Videocon Appliances: "We have to develop fund managers and staff from within. We do not want outsiders to poach on what some talented insiders see as their rightful territory." The Videocon group has already identified a team of 20 — all chartered accountants and MBAs — from within the group to man the prospective AMC. Adds Videocon chief Venugopal Dhoot: "This team is now undergoing an orientation programme at Tata Consultancy Services, boning up on various aspects of investment nitty-gritty."

Most mutual fund aspirants, however, are doing no such advance planning. For them, if and when they get Sebi clearance, it will be a mad scramble.

SPECIAL REPORT

Sankaran: "Raising this much under various schemes is not going to be an easy task."

"Even operating the fund will not be," adds Bombay-based stockbroker Ajit Surana. The reason: the competitive mutual fund business is a relatively new operational area and there is a dearth of talented fund managers and investment analysts (see box).

Then there are the investment limitations that have been imposed on AMCs by Sebi: mutual funds must take delivery of scrips purchased and cannot indulge in forward trading and, more significantly, cannot park their resources in *badla* financing. Says Surana: "The guidelines make for inflexibility for the fund manager. For instance, *badla* financing is the ideal thing to do when the market is overheated and here the fund manager is forbidden from financing *badla*."

There is one more critical area: custodian and other backroom support services. Currently the Stock Holding Corp of India is offering these services to public sector finance and investment institutions and Citibank to UTI's India Growth Fund. Apart from these, there is no custodian service to handle the expected load of securities from the private sector mutual funds.

No doubt, custodian services are sophisticated, technology-driven and capital-intensive. They are unglamorous too. Asks Infrastructure Leasing & Financial Services vice-president Vimal Bhandari: "Wouldn't it have been prudent to develop these support systems before opening up the floodgates for the private sector mutual funds?" Worse, total stock exchange computerisation, an essential precondition for efficient custodian services, is still a mirage.

Also causing concern is the regulatory mechanism, the bulwark of investor confidence. The US has the Glass-Steagall Act, but Sebi is yet to formulate a full-blooded regulatory framework for the mutual funds. Says Indian Bank Mutual Fund president S.M. Subramanian: "A regulatory authority is very much needed." Adds Ramakrishna: "We are in the process of formulating a mutual fund regulatory framework and it will be made public soon."

There is an obverse side to all this. The optimists feel there will be enough scope for all the aspirants. Their contention is that, a couple of years down the line, stockmarkets are expected to control as much as 60-70% of the total personal investments in the economy and there is lot of room for the Bombay stock exchange sensitive index (Sensex) to move up.

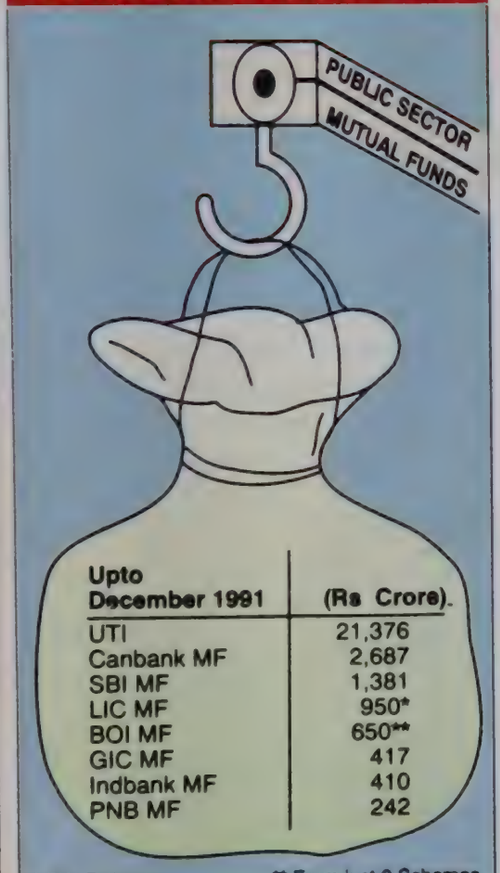
At that level, it will not be possible for the common man to enter a pricey market without the intermediary mutual fund vehicle. Says Bombay-based Champaklal Investment & Financial Co (Cifco) executive vice-president Nayan Shah: "Brokers today are overburdened and the horde of investors is ever multiplying. Private sector mutual funds are going to rule the roast tomorrow."

Cifco has set up an AMC styled Cifco Asset Management Co whose paid-up capital has been chipped in by the group's listed company Cifco Finance to the tune of 26% and another 26% is expected to come in from an unnamed leading investment outfit. Says Cifco chairman Bhupen Dalal: "We are interested in launching a fund of Rs 100 crore and marketing a variety of schemes." (However, soon after his interview with *BusinessWorld*, Dalal was arrested by the Central Bureau of Investigation for his alleged role in the securities scam. This will certainly put on hold Cifco's mutual fund plans.)

There are other candidates without such question marks. The Videocon group, for instance, is upbeat. The group has a financial services company styled Videocon Leasing & Industrial Finance which it plans to convert into its AMC. And the target set is a Rs 200-crore corpus. Says Videocon International managing director Venugopal Dhoot: "We are sure of getting the green signal from Sebi as the paid-up capital of the sponsoring company will soon be Rs 3.50 crore and net worth Rs 7.50 crore. Above all, we have an excellent track record."

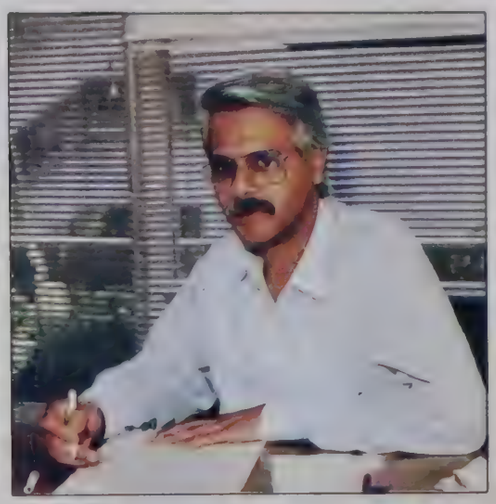
Why is Videocon interested in a business where the returns are meagre? Says Dhoot: "We are sure of earning an annual compounded return of 18%. Even if it is going to be difficult to earn this initially, it will certainly not be so in, say, another four-five years."

Funds Raised by Public Sector Mutual Funds



Upto December 1991	(Rs Crore)
UTI	21,376
Canbank MF	2,687
SBI MF	1,381
LIC MF	950*
BOI MF	650**
GIC MF	417
Indbank MF	410
PNB MF	242

* BW Estimate ** From just 2 Schemes



Why should we go for an AMC as a business proposal where the returns will be just about 3% or even lower?

Deepak Satwalekar, deputy managing director, HDFC

SPECIAL REPORT

Precisely the same thinking is behind Kotak Mahindra's desire to get onto the mutual fund turf. This Bombay-based finance outfit is floating an AMC styled Kotak Mahindra Asset Management Co with a paid-up capital of Rs 5 crore. Says managing director Uday Kotak: "Our plan is an offshore fund. Discussions are currently on with some international players for tieups."

The success of all these mutual fund hopefuls will also depend on how good they are in marketing differentiated and sharply-targeted schemes. Kotak Mahindra, for instance, is thinking along these lines. One of the investment products its prospective AMC is looking at will be targeted at farmers. It is an income fund which will distribute income half-yearly, just before the sowing seasons start. Says Kotak: "Unless such innovative investment products are designed and marketed, with all possible permutations and combinations, AMCs will not be able to survive the heat of competition tomorrow."

First Leasing Co of India managing director Farouk Irani, another mutual fund aspirant, is totting up his strengths in another area. He is banking on the vast repository of sensitive and value-added corporate info his company has managed to build up. First Leasing has plans to launch a Rs 50 crore close-ended fund. Says Irani: "We have already had a dry run of a Rs 50 crore close-ended fund on our computer and the result is very encouraging."

Like Irani, most mutual fund contenders are thinking only of close-ended schemes. What is wrong with open-ended schemes? While the former provides more time to the fund manager to work out long-term strategies, the latter does not. Adds Irani: "In an open-ended fund, the fund manager has to work from crisis to crisis." What he means is that the fund manager would perforce have to sacrifice his long-term investment goals just to meet a current situation such as bulk withdrawals from an open-ended fund. Agrees GIC Mutual Fund chief executive S.K. Mitra: "If the stipulated minimum size of Rs 50 crore is reduced for an open-ended fund, we would like to have one. This is because a sudden outflow (if the minimum size is Rs 50 crore) could make it difficult for the scheme."

It comes back in the end to the Sebi guidelines and the consensus of opinion is that they are still not good enough. Says Irani: "The guidelines need some fine-tuning." Agrees Ramakrishna: "Yes, we are fine-tuning the guidelines and it will be a continuous process."

In the meantime, all the negatives despite, the mutual fund bandwagon is attracting more players. Says Forbes group of companies chairman Fredie Mehta: "This is but the onset of the mutual fund summer in the private sector." But for many who are currently still gung ho, it could well be a winter of discontent.

□ A.H. Ghani

MUTUAL FUNDS: FAST GROWTH

	March 1982	December 1991
No of funds	1	8
Corpus (Rs crore)	4,600	24,800
No of investors (in lakhs)	30	155

GUIDELINES AND LACUNAE

The Securities & Exchange Board of India (Sebi) guidelines for private sector mutual funds still have loopholes. Following are some gaps which need to be plugged:

Operative part: Sponsors should have a sound track record as evidenced during the past five years, a positive net worth and a good reputation in the market.

Intention: To eliminate fly-by-night operators and mutual fund aspirants with ulterior motives.

Chinks: A strong regulatory framework is missing. Sans a full-blooded regulatory framework, resourceful and yet unscrupulous players can get in. One observer says that had the securities scam not broken out, even a Harshad Mehta would have got his application for setting up an asset management company (AMC) through.

Operative part: Sponsors should have at least a 40% stake in the paid-up equity capital of the AMC.

Intention: To ensure commitment on the part of the sponsors.

Chinks: If the sponsoring organisation is a finance company belonging to a group and if the group itself does not have a 40% or more stake in the sponsoring outfit the control desired by Sebi gets watered down. For instance, X has a finance company called Y, which sponsors an AMC called Z. X's stake in Y is, say, 20% and Y's stake in Z is the desired 40%. That means X's interest in Z effectively is just about 8%.

Operative part: The net worth of the AMC will be equal to the paid-up equity capital plus free reserves excluding revaluation reserves and accumulated losses.

Intention: To provide a formula for net worth, so that ambiguities do not crop up at a later stage.

Chinks: Excluding mere paper profits such as revaluation reserves is the right thing to do. But not the accumulated losses. An AMC can have accumulated losses exceeding its net worth and that means basically allowing a sick company to sponsor an AMC.

Operative part: Mutual funds should be allowed to start and operate both close-ended and open-ended schemes.

Intention: To provide a broad operational framework.

Chinks: In effect, the guidelines strongly suggest that mutual funds can only float close-ended and open-ended schemes and nothing beyond them. The guidelines do not offer variety of investment options and thus will not encourage competition.

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THE FALL FROM GRACE

The halo around Bhupen Dalal slowly fades.

The contrast couldn't have been more startling. The two different faces of the Indian securities business languishing together in jail. The brash and boorish Harshad Mehta, who flashed his gleaming cars and opulent lifestyle, and the suave and handsome Bhupen Champaklal Dalal, who swept you off your feet with his sophistication, playing his role to perfection. If Harshad's involvement in the securities scandal did raise a few eyebrows, Bhupen's led to waves of disbelief. "He couldn't possibly be involved," was the constant refrain being heard when Dalal's name was first drawn into the vortex of the securities scandal whirlpool. But eventually the law caught up with him.



BHUPEN DALAL: *Shattered myth*

Suddenly the eulogies have been replaced by a nagging question: who really is Bhupen Dalal? His antecedents are fairly well known. The sole son of Champaklal Devidas Dalal, he was born in the Bombay suburb of Borivali. After graduating from the elite Sydenham College, Bhupen walked into his father's shoes. And well-heeled shoes at that. For, Dalal senior was one of the giants of Dalal Street and a major broker in the government securities business. "Champaklal had a solid reputation with the banks," reminisces a contemporary.

But those were the days when Dalal Street was still a claustrophobic bylane rather than today's 'Mecca of Money.' To be fair to the man, Bhupen Dalal anticipated the coming equity explosion. When it finally came in the late seventies he was ready. Besides, his firm Champaklal Devidas continued to dominate the money market. In some ways, Bhupen Dalal was a pioneer. He was one of the first to structure the more complex deals such as ready forwards that came into fashion after liberalisation and the freeing of interest rates. He was one of the accepted masters of this huge, but oligarchic market. That was before an unknown named Harshad Mehta burst upon the scene in the mid-eighties.

Taking the cue from developments in the international capital markets, the prescient Dalal quickly saw the need to build a strong financial services conglomerate. And Champaklal Investment & Financial Consultancy (Cifco) was born. Under that umbrella almost every area in the world of finance was covered — broking, merchant banking, venture capital and offshore mutual funds. Though commercial banking was still a bad word as far as private players were concerned in that era of fuzzy socialism, Dalal managed to get a toe-hold as early as in 1969, the year he joined the board of the then-nondescript Bank of Karad.

Firming up business. The contours of the Bhupen Dalal myth soon started taking shape. He was invited onto the boards of highly respectable companies. He even took over a few like Foods & Inns and Bombay Swadeshi for good measure. But finance remained his strong point. And people started lining up to tap his redoubtable trading and merchant banking talents. In the latter, he had positioned himself as the banker for that new deity — the non-resident Indian (NRI) — the three-letter acronym which spelt money. If foreign funds were the problem, Bhupen Dalal was the man to ring up. His contacts were impeccable. A few years ago, when the czar of the Sharjah cricket circus, A.R. Bukhatir, wished to hawk off a part of his substantial stake in Indo-Gulf Fertilisers, it was Dalal who sewed up the deal with Aditya Birla. Another Dalal speciality was the extremely lucrative mergers & acquisitions (M&A) busi-

ness which has been burgeoning since the dawn of liberalisation.

At the time of his arrest, Dalal was arguably the most respected figure in Bombay's financial circles. His clout is such that even a man of the stature of the government's economic consultant Ashok Desai was a consultant to Cifco, the Dalal flagship outfit. That apart, Dalal carefully cultivated his friends, who ranged from media barons and top-notch industrialists to bureaucrats on the make.

A whole host of moneymen are said to have learnt the game under Dalal's tutelage. His personal behaviour too became a point of admiration. He is a strict vegetarian and teetotaller. An occasional smoke is all he allows himself. By now Dalal was staying in a luxurious 2,000 sq ft flat in Bombay's upmarket Altamount Road area. Only recently, he purchased an adjoining flat for a cool Rs 4 crore. Everything seemed to be going right for him. The god, however, failed. Or rather, the godfather failed.

Dalal's tentacles are said to have spread wide across the Bombay Stock Exchange (BSE). (It is no coincidence that the country's premier bourse chose the tiny Bank of Karad to park its own funds rather than the many nationalised banks in the vicinity.) Dalal is known to have helped many a broker in distress. He is said to have operated through a strong network of 22 hand-picked brokers, spread over the major bourses of the country.



DALAL: *Before the downfall*

Shady linkages. Not all the friends he kept were model citizens, though. In fact, it is said that it was the shady deals of some of them that finally brought the Central Bureau of Investigation (CBI) knocking at his door. Among them was the gang that was involved in the defrauding of the Standard Chartered Bank through the Bank of Karad and the Metropolitan Cooperative Bank.

A close look at these men establishes linkages that can no longer be dismissed as mere coincidences. Abhay Narottam was brought into the business of broking by Bhupen's father. In fact, he was at one time Dalal's duly constituted attorney. Narottam owes both his BSE membership and his office to Dalal. The two worked together for many years. Jittu Shroff and Hiten Dalal were both Cifco employees before they ventured out and set up independent shop. (Maybe not so independent after all.)

An even stronger bond exists between J.P. Gandhi and Dalal. They are first cousins. These are the men who have now gained notoriety as the brokers involved in the Stanchart deals.

And finally there is T.B. Ruia of Dhanraj Mills and one of the major *badla* financers on the BSE. Ruia is one of the clients who used Metropolitan Cooperative Bank for his own speculative ends. Ruia also has a controlling interest in Killick Nixon. Dalal was till recently a director of the company and it is he who helped the Ruias take it over. The close links between Dalal and the Ruias are fairly well known.

The link in the entire Stanchart affair seems to be Bhupen Dalal. It is highly unlikely, according to market sources, that a major international bank would have dealt with the likes of Bank of Karad and Metropolitan Cooperative Bank without having the backing of some highly respected institution or personality. That figure now appears to be Bhupen Dalal. In fact, given this background, Bhupen Dalal's carefully cultivated image acquires a new meaning and importance.

Such was his reputation that despite the fact that the first Reserve Bank of India investigation on over-trading in the money market centered around the Bank of Karad, Dalal, one of the obvious suspects, was arrested much later. And so sharp were his survival instincts that despite gruelling days of grilling, Stanchart's own investigators couldn't get an ounce of information or anything resembling a confession out of him. Many eagerly looked forward to the inevitable duel of wits between Dalal and the CBI's formidable boss, Madhavan, who had driven Harshad Mehta to tears.

Whatever the result of this battle, one thing is certain. The haloed Dalal image, which was so crucial to his operations, has taken a terrible beating. Suddenly every act of his is being looked upon with suspicion. Even his famed NRI contacts are being re-interpreted. Now many suspect that they could be fronts for Dalal. There is nothing, as yet, though, to suggest anything of the sort. But the very fact that such talk is doing the rounds of Dalal Street proves that the Bhupen Dalal myth lies shattered. The icon has been shoved off the well-positioned pedestal. And the bigger they are, the louder the thud.

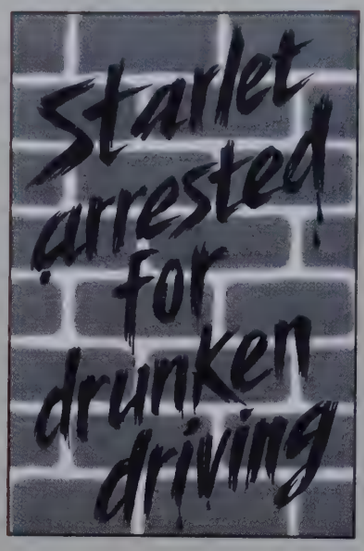
□ A correspondent

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DINAMANI : THE FRONT PAGE STORY

Take a look at what Dinamani actually carries on its front pages.

On 25th May 1992, Dinamani covered the torture of an Indian diplomat in Pakistan, and the Indo-China border problem.

The violence in Parliamentary and Assembly by-elections and Congress moves on the Presidential candidate were the highlights of the 9th June '92 issue.

On 14th April '92 Dinamani headlined the Cauvery water dispute's repurcussions in Karnataka and the resignation of the Russian ministry.

And so on.

We wouldn't like to comment on what the others carried on the same dates. It is not our intent or business either. But the hypothetical case shown here, we feel, will help spotlight the edge that Dinamani offers to the advertiser.

Now that you know the facts about Dinamani, here are the figures.*

65.03% of Dinamani readers are in the SSC+ bracket. 38.11 % belong to the top three occupation groups. 54% earn over Rs.1000. And finally, 65.45% are from the first three socio-economic classes A, B & C.

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* (Data source: NRS IV)

DINAMANI

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BRIEFS

■ The US credit-rating agency Standard & Poor's (**S&P**) has decided to keep India's long-term credit rating at BB+, a non-investment grade, says *The Economic Times*. BB+ is the highest speculative grade in the agency's rating scale. Last June S&P had downgraded India's credit rating from the investment grade BBB to BB+. And ever since, India has been trying to resecure the investment grade.

Moody's, another leading US credit rating agency, due to release its assessment of India shortly, is also likely to place India on the speculative grade.

The speculative grade rating is, meanwhile, having adverse affects on the offshore funds of Indian mutual funds which are reported to be ruling at heavy discounts of between 30% and 50%.

■ The **Aid India Consortium** has enhanced the total aid quantum to $7.2 billion for 1992 from the $6.7 billion pledged last year to India. The increased aid package includes fast-disbursing assistance of $3.4 billion.

Japan has also announced a 6% increase in its Official Development Assistance to India from the present $800 million to $850 million.

■ The board of the International Monetary Fund (**IMF**) has approved the review of India's economic reforms programme for 1991-92 and the proposed programme for 1992-93. The endorsement of the programme will make available $1.6 billion to India as the remaining instalment of the $2.2 billion stand-by loan sanctioned in October 1991. Of this, $647 million is to be released shortly.

■ In pursuance of the recommendations made by the Janakiraman committee, the Reserve Bank of India (**RBI**) has prohibited all new inter-bank **ready forward deals** in dated government and other approved securities. Banks are, however, allowed to undertake ready forward transactions in treasury bills.

■ The Australian bank **ANZ Grindlays Bank Plc**, has made a Rs 506 crore loss provision to meet claims against its Indian branch arising from the securities scandal. This decision follows a RBI directive to that effect.

■ The Securities & Exchange Board of India (**Sebi**) has asked the Company Law Board (CLB) to frame rules to ensure payment of interest on debentures. According to Sebi chairman G.V. Ramakrishna, Sebi will be in a position to take up the problems of debenture holders only after CLB frames rules and regulations specifying its powers.

■ Public sector banks have decreased the interest rate on **46-day deposits** to 12% from the earlier 13%. Foreign banks, in a bid to stem the outflow of deposits have, however, maintained their interest rate at 13% for 46-day deposits.

■ The Unit Trust of India (**UTI**) and the Housing Development Finance Corp (**HDFC**) have devised a new scheme — Housing Unit Scheme 1992. The housing units will be sold by the UTI and will have a lock-in period of five years. Unit-holders will be eligible for a housing loan from HDFC of three times the value of the housing units purchased four years from the date of purchase.

■ The United Bank of India (**UBI**) has set a deposit growth target of 20% during the current year. According to UBI chairman & managing director A.K. Bhattacharya, the strategy envisages a segmented approach to deposit mobilisation under four different segments — commercial and institutional deposits, deposits of the small-scale sector, personal accounts and agricultural markets.

BHATTACHARYA: *Segmented approach*



■ The State Bank of India (**SBI**) has posted a profit of Rs 175 crore for the year ended March 1992 compared to Rs 107 crore for the previous year. The bank has provided Rs 707 crore for possible losses because of the securities scam. Without this provision, profits would have been a whopping Rs 882 crore.

■ **Merrill Lynch** has released a positive report on the Bombay stock exchange (BSE), according to which the BSE sensitive index (Sensex) will rise 20% in the next one year. The report says that there has been a sharp increase in market liquidity, and with the continuing economic liberalisation the Sensex is likely to record a 20% rise.

■ The SBI and the Bank of India are in the final shortlist for taking over the Bombay branch of the Bank of Credit & Commerce International (**BCCI**). A final decision will be taken after the provisional liquidator, Cayman Islands, presents his recommendations to the RBI. The RBI will then give its consent.

■ The Small Industries Development Bank of India (**Sidbi**) is reported to be considering a proposal to offer 25% of its equity to the public so as to meet its massive resource requirement of Rs 22,500 crore during the eighth plan. The bank also plans to issue special bonds exclusively for foreign banks, which will have to finance the priority sector as the government seeks to create a level playing field in the banking sector.

■ The planning commission is of the view that the level of resources mobilised by private sector companies from the **capital market** during the eighth plan period can be twice the amount mobilised during the seventh plan period. The commission says that institutional measures to tap the rural markets should be taken immediately.

GOING FOR THE JAM

Kanmoor Foods is taking on Kissan in the jam market.



The Indian jam market is peculiar for one major reason: anyone who has tried to take on kingpin Kissan has ended up in a jam. So awesome is its presence, say those in the know, that no other player in the segment has managed to snare even a double digit national marketshare. Most of them have strengths in regional pockets; Kissan has more than 60% of the national jam market in its jar. But still the newcomers are not averse to making tries at scooping out some space for themselves.

Consider Kanmoor Foods, a company promoted by the Mariwalas of the Bombay Oil group, which is among the latest to take a shot. But first a little background about the company. When it was flagged off in 1991, Kanmoor had just commodities exports (a business it inherited following the now-famous peaceful split of Bombay Oil) as its area of operation. Its young chief Ajay Mariwala, however, had his mind set on making a mark in a different and more visible area — processed foods was his choice. And while scouting around his eye fell on a readymade opportunity — the Pune-based James Smith & Co which had a strong regional brand in Sil. The company, which produced a wide range of foods — mayonnaise, Worcestershire and chilly sauces, tinned fruit, and baked beans, among other things — had, however, fallen upon hard times.

Mariwala coughed up Rs 1 crore to take over the company, hired some livewire young managers and invested another Rs 42 lakh in sprucing it up and trebling capacity. Next, he jazzed up the packaging, and widened the product range.

Today, the company has gone national with its 40-odd products under the Sil brandname — these include tinned soups, sliced fruits and juices, sauces, seven jam varieties and ketchup. Says Kanmoor Foods general manager (marketing & sales) Mohan Mahapatra: "While most of our range will be niche-oriented, we have major plans for jams as it is a high-volume product. Agreed Kissan is the leader, but it's been that way because of brand inertia. It's become a habit of sorts."

But then why did a major effort from Rex a couple of years back fizzle out? Mahapatra has an answer: "It started out well in its blitz and went on to capture 11% of the market. But it wasn't supported with advertising and other inputs long enough."

He, however, is sure Sil's push will work. What's making him confident is the clear-cut strategy that's been drawn up. Its basic focus is on:

Flanking the leader. One of the most basic of marketing principles — don't go for a head-on confrontation with the market leader, launch a flanking attack instead. Sil's weapon for the flanking move on Kissan: price. "The jams are around Rs 2.50 cheaper than Kissan's. But remember the look and the product is premium and definitely value for money," says Mahapatra.

Expanding the market. The price factor should help Sil woo some consumers from Kissan and regional brands. But that may not be enough. So expansion is the next best choice. "The Rs 30 crore jam market is shrinking by 1-2% every year," says Mahapatra. "To expand it we will have to generate excitement around the brand in the market, and Sil will take the growth. Look at Nestle; how it keeps on kicking up some excitement around Maggi regularly."

Building up a solid distribution set-up. Today, Kanmoor has nine depots, all in the major metros, and a retail chain numbering 8,000. The obvious endeavour will be to widen it, apart from servicing the chain through more stockists. During the launch phase, the company is also offering discounts to the trade in order to get it to push the product.

Innovating constantly. This tack will go a long way in generating some excitement around Sil. "We'll be introducing new products, and varying product mixes regularly. We want to be seen as a company that's always up to something and not afraid to innovate," says Mahapatra. Signs of the itch to innovate were aptly evident when Kanmoor unveiled a rice branded Mehfil earlier this year.

Propping up all these moves with sustained advertising. At launch stage, Kanmoor posted full page ads in several newspapers, displaying the company's product range in its full splendour. A separate TV and press ad campaign for the jams is slated to follow. "While the press ads will talk directly to housewives about the premium quality jams, the TV ads will be for kids — all fun and games and highly emotional," says Mahapatra. "The spillover benefits will be felt by the other Sil products."

If the gameplan pans out, Kanmoor (1991-92 turnover: Rs 24.63 crore) may well be able to achieve the turnover target set for the entire Sil range for year one: Rs 10-15 crore. And if its jams sell well, it will reap the fruits of its labour.

□ Anil Wanvari

GETTING FANCIER

The premium soap market is undergoing a metamorphosis.

Amitabh Ghatak, a Bombay-based manager, is hung up on Le Sancy. On a visit to Hyderabad six months ago, he came across a store that was vending the big-sized bean-shaped soap from the Hindustan Lever stable. His curiosity aroused, he purchased it by coughing up Rs 12.75. Back in Bombay, his wife and he used it. And they've been hooked ever since. Says Ghatak: "It's a soap that lasts and lasts and it feels nice. Problem was, it wasn't available in Bombay." Recently, when the soap slipped into the city, Ghatak was among the first buyers of the brand.



Jaya Kothari, a young Bombay housewife, similarly goes into raptures over Evita, another high-priced soap from Levers' closest competitor Godrej Soaps, which was unwrapped in the market recently. Its cost: a hefty Rs 9.75 for a 75 gm cake. But Kothari doesn't think that's a bother; it's her skin that's important, and Evita does make it feel better, as it has an important skin-nourishing ingredient, vitamin E.

Welcome to premium soap marketing in the nineties. While the previous decade saw scraps between Godrej Soaps and Levers on more traditional USPs such as freshness attributes and fragrances, the coming years are likely to see battles on newer and sharper fronts. Says Godrej soaps senior vice-president (marketing) H.K. Press: "Innovation is going to be the norm in the market. There'll be a greater emphasis on cosmetic and multibenefit soaps combining the qualities of deodorising, moisturising etc."

Some of that is already happening as is evidenced in the case of Le Sancy and Evita. Both are aesthetically designed and have taken into consideration consumer convenience in that the cakes have a curvature. "The bean shape and the curvature help users to grip the bar firmly," says Levers marketing manager (soaps) Harish Manwani. "Besides, it prevents quick meltdown of the soap as the soap's base doesn't come in full contact with any surface when laid on it," adds Press.

In fact, so sure is Levers about this ability that it has made it Le Sancy's USP. "We're offering a 150 gm soap that is equivalent to two cakes in size and additionally it just lasts and lasts. Le Sancy is a premium soap in that it has high quality; and popular because it offers value for money," says Manwani. On the other hand, Evita (the brandname is an anagram of vitamin E) has preferred to take the skin nourishing tack. "We expect to expand the market; get in some new users. Research has shown us that the Indian woman is very alive to the uses of vitamin E. I presume Evita will also end up replacing the use of cosmetics, which offer the same proposition as ours," says Press.



Both are sparing no expense to push their respective brands. And the activity is most visible in the marketplace. "Le Sancy's speciality is the merchandising we are using. The soaps are hung in baskets; packed in transparent Pearl pet jars and on-counter transparent dispensers, etc in stores. The packaging is also transparent. The main strategy is to make the soap visible and let the consumer see what he's getting," says Manwani.

Godrej's merchandising gambit is, however, slightly different: it has bought up extensive shelf and counter space in stores without using any of the exotic storing devices that Levers has. The support to that effort is coming in the shape of pamphlets and brochures which are being handed out to consumers. Of course, both are zinging ads on TV and in print.

The difference is that while Levers is going about introducing Le Sancy in a phased manner in various states, Godrej has taken Evita national at one go. "We feel we know the soap market pretty well," says Press. As for Le Sancy, it made its debut in Andhra Pradesh and from there it has spread to Madras, and recently to Maharashtra. Manwani says the brand is likely to increase its rollout pace and go national soon. "The Le Sancy juggernaut has started. Wherever, it has gone it has emerged as the brand leader," he adds.

Numbers are hard to come by as the brands are relative new entrants. But the response seems to be good, at least if one goes by Bombay-based retailing chain Akbarallys chief F.T. Khorakiwala's estimate as an indicator of future trends. Khorakiwala says that repeat purchases are already taking place and awareness about the brands is on the up. Says he: "Le Sancy's offtake is higher but it's been in the market longer."

Will the two new brands chip away at the existing premium brand marketshares of the two companies? "Let Le Sancy and Evita take away share from Liril or Cinthol, I am happy if the corporate marketshare increases," echo both Press and Manwani.

□ A correspondent

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A PICK OF GOODWILL PRODUCTS: *Snazzy offering*

GOOD KNIGHT'S GOODWILL

With its mainline mosquito repellent business coming increasingly under attack from newcomers, savvy marketer and Good Knight maker, Transelektra Domestic Products Ltd (TDPL), is moving into newer areas. The latest one it has hared upon is the greetings cards and related products segment. TDPL has set up a new company Good Knight Communications Ltd (GKCL), which will roll out greetings cards, wrapping paper, gift boxes, gift bags, bookmarks, festoons, note pads... a range of 24 paper products. Of course, they'll be branded; Goodwill is the name that GKCL has chosen. Once the products gain acceptance, the company plans to introduce gift items too.

Says Dev Nadkarni, head of the paper products division at GKCL: "We want to be a one-stop shop and have a complete range of gift items, cards, etc and fun stationery. We are looking at gift-giving as a holistic exercise."

The company is going all the way to ensure that its gambit works. It plans to open 20 exclusive shops nationally by end-August and also to have a large distributor network. The turnover target: Rs 8 crore in the first year itself with 60% of that being contributed by cards.

Says TDPL managing director R. Mohan: "Though there are no figures on how large the greetings cards market is,I feel that it could be more than Rs 100 crore if it is exploited properly." Adds Nadkarni: "Till now there have been no serious attempts at branding cards except by Archies (of New Delhi) and Vintage (of Pune). We plan to do this in a big way." The ad budget for the launch: Rs 1 crore.

The cards will be priced between Rs 5 and Rs 20, with exclusive one-of-a-kind cards costing as much as Rs 100. According to Nadkarni what will set the Goodwill cards apart will be the paper used (an embossed variety imported from European and Scandinavian countries) and the creative designs. "This variety of paper has not been used for greeting cards earlier in India," says Nadkarni and adds that a lot of attention will be paid to the envelopes also. "We will also be having a very wide range and exclusive designs created by our in-house designing team."

The company will also be introducing designer party kits comprising paper plates, glasses, spoons, tissues... the works, to make organising a party less of a tedium. Also in the pipeline are unconventional water-proof books for pre-schoolers.

With all the products being marketed under the Goodwill brandname, GKCL is obviously hoping for a lot of goodwill to come its way.

RUBBING IT IN

After its success in the analgesic market with Stopaque, Ahmedabad-based Paras Pharmaceuticals is all set to give the existing big guns in the Rs 40 crore cold rub segment a headache of sorts. The company is segmenting the market by launching two sub-brands under the D'Cold umbrella brandname. The first called D'Cold Majorub is aimed at adults, while the second, D'Cold Dingorub, is positioned to be used on children having an attack of the sniffles.

Says Paras chief executive Narayan Bhai Patel: "We hope to capture a 10% marketshare in year one itself." Patel is banking on the Wintergreen oil in D'Cold to make it a real winner. Says he: "Wintergreen oil is an internationally-accepted decongestant and it is not present in the other cold rubs in India. This is because it is not advisable to be used on children below six years. And unlike other cold rubs which have only 15% of active vaporising ingredients, a quantity which is rather inadequate for adults, D'Cold Majorub has 28% of active ingredients. This concentration is ideal to satisfy their needs."

As D'Cold Dingorub is meant for children, Paras has made it milder (with 22% active ingredients). And while a 10 gm pack of D'Cold Majorub costs Rs 6.50, a D'Cold Dingorub 10 gm pack has a sticker price of Rs 6. The company has drawn up a hefty ad warchest — Rs 1 crore — to ensure that consumers warm up to D'Cold. Will D'Cold give competitors Vicks and company the shivers?





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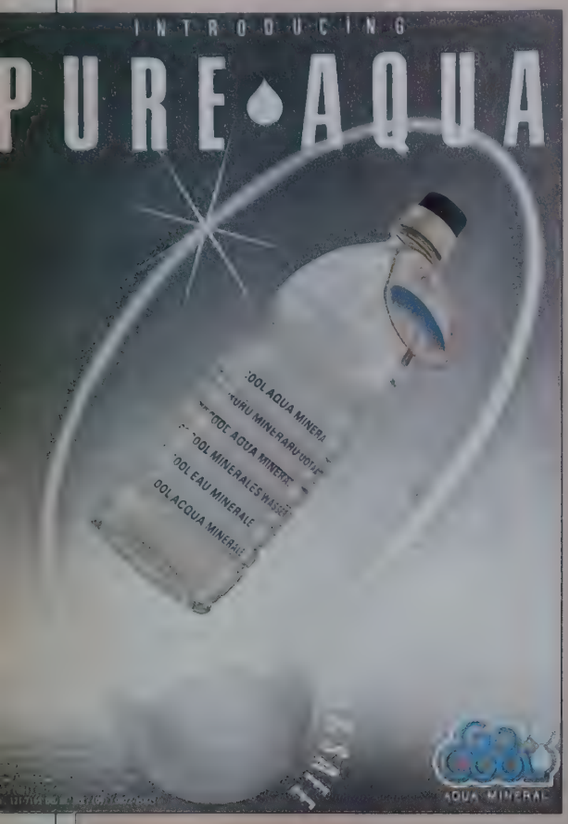
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COOL GOING?

The players are pouring into the mineral water market. What was once the sole preserve of Parle's Bisleri, has today, a swathe of new brands slugging it out for marketshares. While several companies are using mineral water to indirectly sell booze (Officer's Choice, Golden Eagle etc), there are some which are launching standalone brands and are serious about the market. For instance, Dharnendra Icecream Ltd (Dil). Recently, the Ahmedabad-based maker of Go Cool ice cream test-marketed its mineral water under that brandname. And finding the going real cool, it is now gearing up for a full-scale launch in mid-August. Says Dil national sales manager (Aqua Mineral) Jayesh Jani: "It's a very interesting market which is dominated by one player with a 65-70% marketshare. We see a lot of potential."

Priced at Rs 9-10 for a 1,000 ml bottle, the product is going to make its debut in the western region first, to be followed by the other regions later. The market that it is angling for is worth a guesstimated Rs 25 crore in value terms and 20 lakh cases (12 bottles to a case) by way of volume. Says Jani: "We have an established ice cream distribution network and we'll be using that for the mineral water as well."

According to him what will help Go Cool Aqua Mineral sell is its quality. "It matches up to the best available anywhere and we've got test reports to prove that." Once the product catches on, Dil plans to set up plants in other areas in order to service them even better.

REDIFFUSION'S NEW ACCOUNT

Rediffusion has bagged quite a timely account. The agency's Bangalore branch has managed to get back some business from HMT, which it lost sometime ago. The public sector behemoth is all wound up to launch a range of watches aimed at children and nametagged Zap! And the responsibility to come up with a high-decibel ad campaign has gone to Rediffusion. The account's size: around Rs 1 crore.

A NEW MARKETING RECIPE

You've got to hand it to Maggi maker Nestle India. The Delhi-based outfit has transformed marketing of its products into a fine art. Discounts, package deals, a fun club... you name it, it's tried every tack to send its sales onto a higher plateau.

But its latest move is sure to win over the hearts of the housewife and the working woman with scarce time on her hands. Nestle has introduced a new cooking guide on video — *The Food Talk Show* — so that you can watch while you cook. And there's a whole range of 23 recipes covering Indian, Chinese, Western and Continental dishes — all of which are featured step by step. But there's a hitch: to be able to turn out the mouthwatering array of food, you have to use at least one Nestle product — be it Milkmaid, Maggi ketchup, sauce or noodles — as an ingredient. Says Nestle home economist Anna Abraham: "We firmly believe that the way to our consumers' hearts is through their stomachs."

Priced at Rs 200, the 70 minute video cassette is accompanied by a recipe book to help out the aspiring chef. *The Food Talk Show* is primarily being pushed through the mail-order route.





ADDING COLOUR

It's hoping to make a clean sweep of the plastic crayons market. The brand in question, Mr. Clean's Playons, was launched last month by Bombay-based small-timer, Fun Time. Hitherto, the company was involved in the manufacture of erasers and sharpeners alone. Says Fun Time part owner Manish Mehta: "We're going to take the market for a ride. Nobody really knows much about its potential."

His target group is pretty obvious: 4-8 year olds. "Kids want something new all the time — be it new shapes or whatever." And novelty is exactly what Mr. Clean's Playons give — the crayons not only come in attractive clear plastic packaging but they are also perfumed and taper off to end in



the shape of an animal or a bird. Says Mehta: "This can prove to be an educational device too as children are prone to ask questions about the shapes."

Mr. Clean's Playons have initially been launched in Bombay alone. But Mehta is sure he'll be in a position to take the products national soon and that his factory (the entire plant was shipped in from Japan) will be able to cope with the increased demand. He, however, admits to a snag — the packaging is sub-contracted to a firm that is finding it difficult to maintain supply. Says Mehta: "We had planned to spend Rs 8 lakh on advertising but didn't, as supply wouldn't have met demand."

That will, however, not be his only problem. Distribution too will prove a big hurdle — specially as he is competing against heavyweights like Camlin and Luxor. His marketing strategy is all drawn out however. The few ads that have appeared use an old time-tested gimmick: they ask children to 'join-the-dots' to complete a picture, colour it and then post it to Fun-Time to be entitled to a free gift. Says Mehta: "We are giving them a free eraser with every purchase. Besides, we despatch stickers and calendars we print to children as gifts. The idea is that they keep communicating with us. Even if our crayons aren't used the brand Mr. Clean's Playons will get imprinted in their minds. We are not working through parents but directly on kids through other kids."

Mr. Clean's Playons are priced at a 10-15% premium over market leader Camlin's Crayplus. Camlin, however, is least disturbed by Mr. Clean's Playons' power play in the market. With a 90% marketshare among branded players, it is definitely reigning supreme. Says Camlin marketing manager R.G. Kasbekar: "No doubt their packaging is better versus our traditional box but product quality counts. We have a large R&D dept and I'm sure our product is superior."

But it's debatable whether Camlin can afford to take things as lightly as it has been doing. Advertising for Crayplus, for example, is practically non-existent. Part of the reason for this, says Mehta, is that it doesn't make sense to add high ad costs to a low-cost product. He, however, expects that to change now. If things do, it surely will add some more colour to the market.

EGGING ON

Mohammed Khan's Enterprise Advertising, which has handled the NECC (National Egg Coordination Committee) account since 1988, is again getting egg-cited about eggs. Since May, it has been posting ads in publications (basically three magazines — *Femina*; *Meri Saheli* in Hindi and a regional Telugu one). What makes things different this time is that a booklet has been stapled to the magazine alongside the ad. In the earlier ads, readers had to write to NECC to get a copy of the booklet in its earlier avatar (vol 1).



Updated in its second volume, the booklet carries "egg-citing" recipes and practical tips on how to tell whether an egg is fresh, among other things. The booklet had a print run of 3 lakh — all at NECC's cost (though the magazines did the stapling etc).

This is in keeping with the advertising strategy, which has not changed ever since right the start of the NECC campaign — that is to educate people on eggs (how they can be used in meals other than breakfast — thus the recipe booklet — and to shatter myths like eggs are heaty in summer, for instance) and to strengthen the positive image of eggs. However, this time the advertising is a bit more focused. Says Enterprise account director Anil Sanjivan: "We've zeroed in on two high potential segments — pregnant women and kids. That's because even in strictly vegetarian households, many pregnant women are encouraged to eat eggs on the doctor's advice. And so also with children."

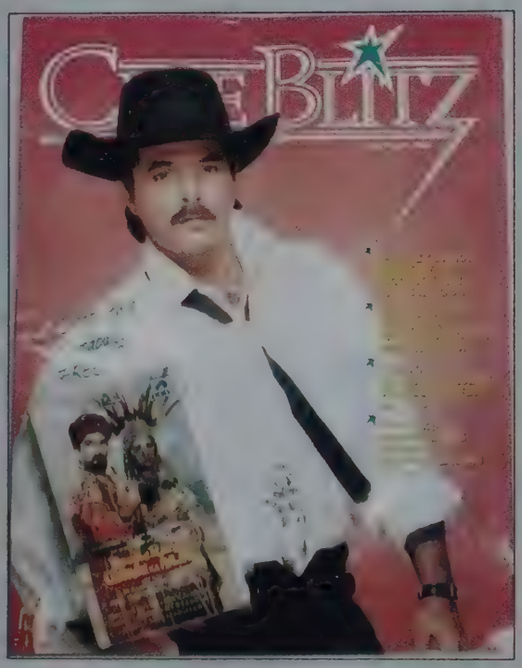
The NECC campaign, on the whole, has, to a certain extent, met the objective of increasing consumption amongst existing user and non-user households — per capita egg consumption per year in India has gone up from 18 in 1982 to 28 this year. But this is still a good way behind other

A CINE ATTRACTION

The Illustrated Weekly set an illustrious example when it took the bog offer route by doling out a toothpaste tube, a spoonful of detergent, discount coupons et al last year. Now *Cine Blitz* — the film magazine from the Russi Karanjia stable — has gone one better. The July issue of the magazine came all nicely wrapped up in plastic packaging and included a pre-recorded HMV sample audio cassette with songs from the film *Roop ki Rani Choron ka Raja*. The cost to readers: *Cine Blitz*'s usual cover price of Rs 15.

With a gee-gaw like that available, who wouldn't be tempted to buy a copy? And so it was. Says *Cine Blitz* editor Rita Mehta: "The issue sold out in no time and we've had to print another lot."

For *Cine Blitz*, the deal was a good one. It did not bear any of the additional costs involved and, moreover, it was something right down its own street in terms of marketing strategy. Says Mehta: "We have always been pioneers in terms of promotional gimmicks. We were the first to include pop-ups, calendars, car stickers as part of the magazine." Obviously the management is hoping things like this will keep the magazine's circulation rising — "it stands at 94,000 on an average, though for this particular issue it was 1.25 lakh."



As for Gramophone Co of India (GCI), the other party involved, it's quite satisfied with the excitement that has been generated. It is hoping sales of the soon-to-be released cassette *Roop ki Rani Choron ka Raja* will jump appreciably once it hits the market. "There has never been something like this done before," says a GCI spokesperson. "As it is a big film it needed something special, a big promotion." Though the company is not saying how much, it certainly has paid a pretty packet for each of the 1.5 lakh cassettes it handed out, going by the Rs 20 or so it has approximately spent on each. If sales jump, the novel idea will have many a person singing its praises in the times to come.

countries — the average for developed countries is 306 and, for other developing ones, the figure is 60. It has set itself a target of 180 per capita by 2015.

That is not going to be easy. The NECC campaign drew flak in 1990 from the Jain Yuva Group which released ads nationally in regional publications stating that eggs cause cancer etc. Though sources say Enterprise was forced to shelve a TV documentary on NECC because of the virulent attack, Sanjivan denies it. He does admit that the anti-egg lobby is still alive though: "They keep raising their heads at different places every now and then."

CATCHING UP

Tarapur (Maharashtra)-based Supplementary Foods maybe a no-name startup. But the company is hoping to repeat the success that Tata Salt, Captain Cook, Catch and Bharat Salt have cooked up in the branded salt segment. Says managing director Ajit Kumar: "We have a huge salt market out there — all of 50 lakh tonnes (lt) per annum. And the branded refined salt segment accounts for a measely 2.5 lt of it. So there is scope a-plenty."

Supplementary Foods will initially be turning out kitchen and table salt under the brandname Zaika. While the former will be available in Maharashtra alone for starters, the latter will be a Catch me-too and will go national right from the word go. Both will be be packaged attractively. Kumar is hoping to turn the tables on table salt market leader Catch by beating it on the price front. Says he: "Catch is priced at Rs 6 for a 200 gm pack; while Zaika will retail at Rs 5 for the same volume. So beating Catch will be no problem."

As far as kitchen salt goes, he feels there will be no hassles as a huge market is yet to be tapped. "People buy loose, unbranded, unrefined and dirty salt at prices close to those of the branded varieties. So that's a market that's waiting to be converted to branded and clean refined salt. And there aren't many companies in the fray now."

To ensure that happens, he's laying on the moolah for an awareness campaign. The company's advertising will be created by HTA and the budget is Rs 50 lakh. Says he: "My salt is lump-free and free-flowing and it is multiple refined. Zaika's USP will be health plus hygiene."

If the name Zaika sounds funny, Kumar points out that there's no need to go into hysterics. Says he: "It means flavour and is taken from Hindi. It points to my next move — introduction of a range of flavoured — garlic, onion, ginger — and fortified — calcium, iron etc — salts. Besides, I'm also planning to kick off a range of gravy concentrates in the near future."

"WE HOPE TO DOUBLE VOLUMES"

Fighting a Goliath is no mean task. But Wipro Consumer Products (of Sunflower vanaspati, Wipro Shikakai and Santoor soap fame) is not afraid of being a David in the baby care products segment. Johnson & Johnson (J&J), the undisputed leader, has a virtual stranglehold on the market. Some time back Pond's attempted to make a mark. But it soon backed out. The same was the case with Mothercare. Then Abbot Chemicals launched Baby Dermis but, as of now, the brand reportedly has a negligible presence.

Wipro, however, was undeterred by these instances of failure. In December 1990, the company decided to take on the challenge and launched Baby Soft soap and powder and followed it up with the oil the next year. It claims to have captured 25% of the market. BusinessWorld's *Meenu Shekar spoke to Wipro Consumer Products general manager (marketing) K.B.R. Menon on the company's gameplan. Excerpts:*



MENON: *Seeking to expand the market*

■ On why Wipro entered the baby care products market.

This has essentially been a one-player market and there is certainly room for another player. We saw immense opportunity and were confident of carving a niche for ourselves and getting a reasonable marketshare.

We also have sentimental reasons for our foray into baby care products. In 1984 we launched a children's soap called Bubbles. We, however, had to withdraw this after a short while because of some trademark problems. (Tomco felt that the name 'Bubbles' was too similar to its product 'Double.') We waited for the right time to come back into this field and with Santoor and Wipro Shikakai well established, we felt it was time we got back into action.

■ On J&J as a competitor.

J&J has built a very strong reputation and brand loyalty over the years and it certainly will not be an easy task to capture the market from it. But what is important to realise is that usage of baby care products is still restricted to a very small fraction of our population. Our main strategy will be to try and expand this market as well as woo existing users to our products.

■ On how the company plans to expand the market.

One reason why the market is so restricted is J&J's pricing strategy which has put its products beyond the reach of a vast majority of the middle class who would otherwise be interested in using them.

Other players (like Pond's) who tried to gain a foothold in this market probably did not offer any incremental value to either existing users or non-users. Our strategy is to offer equally good or even better quality products as compared to J&J at a substantially lower price. This, we hope, will not only attract existing users but also expand the market. There is a Rs 7 difference between J&J's and Wipro's 75 gm baby soap and a similar 20-30% price difference for other products.

However, we will not be moving towards the lower end of the market. This is because we do not want to compromise on quality in an effort to cut costs. According to statistics, parents in the middle- and the lower-middle-income groups are also willing to spend good money on quality baby care products. We will offer them a better alternative.

■ On the company's marketing strategy.

We will emphasise our "better quality, lower price" message very strongly through our ads. In addition, we will try out direct marketing. Since baby care products address a very specific target group, that is mothers with small children, we have found that advertising in the mass media is a waste. We are trying to get the names and addresses of this target group and will address them directly. It is still at an experimental stage because there is no ready database available. Once it picks up we also plan to offer discounts and samples through direct marketing. Another exercise will be to try and promote our products through doctors. This, however, will be on a very small scale.

■ On the ad budget for baby care products.

Our ad budget was Rs 1 crore for the year 1991-92 and will remain the same for the current year. At the moment we do not see any need to increase the budget. Of this, 20% has beeen allocated for direct marketing.

■ On the company's current position and future plans.

Our consumer products division's turnover for 1991-92 was around Rs 200 crore. Of this, baby care products accounted for Rs 5 crore. At present we have 25% of the market and have been largely responsible for the 25-30% growth in the baby soap market and the 10-12% growth in the baby powder market. Though at the moment we do not plan to extend our product range, we have fairly ambitious plans and hope to double our volumes in this segment by the end of the year.

TWO EXPOS ARE ONE TOO MANY

Mait's maiden computer show is still some way off, but it's already threatening CSI's exhibition.

For 27 years now, the Computer Society of India's (CSI's) annual conference-cum-exhibition has served as the showcase of this country's infotech capabilities. The computer carnival has provided manufacturers with the perfect launchpad for new products, and users with an opportunity to watch the latest gizmos in action. To some extent, it has helped bridge the gap between the layman and the world of bits and bytes by bringing him face-to-face with the marvellous machines.

But, from 22 August, all that could change forever. On that day, at Delhi's sprawling Pragati Maidan complex, the Manufacturers' Association for Information Technology (Mait) will flag off "IT'92", its maiden computer exposition. The new extravaganza promises to be bigger, better and glitzier that CSI-92, scheduled to get under way in Madras barely a month later.

There isn't much talk of competition between the two; industry observers are already predicting that the Mait event will take the thunder away from the CSI show. Since the Delhi exhibition is being held, in effect, by the manufacturers themselves, virtually every computer hardware company of any consequence is expected to participate. Even software giant Tata Consultancy Services has decided to join in — albeit in a limited way.

Many among the top 20 infotech companies have booked their IT'92 stalls well in advance; two-thirds of the space allocated for product displays has already been accounted for. Mait secretary Anurag Agarwal expects the rest to be snapped up over the next 15-20 days. "We are receiving more and more requests (for bookings) all the time," he says. Organising committee president K.R. Palta is hoping he can rope in a few participants from abroad as well.

Not surprisingly, industry leader HCL-Hewlett Packard (HCL-HP) is gearing up to make the biggest splash at the expo, with an entire pavilion (42 stalls) to itself. This will mark a comeback of sorts for the Delhi-based Shiv Nadar company; it donated its stalls at CSI-90 in Calcutta to deserving students and skipped CSI-91 in Delhi. IT'92 should give many of the company's competitors their first glimpse of the entire range of Hewlett Packard products HCL-HP now hawks in India.

Among the others who will make their presence felt at the exhibition are Wipro InfoTech, Digital Equipment India Ltd (Deil) and ICIM. All three have booked big blocks of stalls.

In contrast, the advance bookings position of CSI's stalls has been disappointing; only 65 have been taken so

AGARWAL: *The rush is on*



THE THIRD EXPO

IT'92 and CSI-92 aren't the only highlights of this year's infotech calendar. In mid-December, the National Association of Software and Service Companies (Nasscom) is scheduled to hold an exhibition of its own, at New Delhi's Hotel Ashok. President Harish Mehta is confident that the tussle between the two larger organisations will not affect his plans.

As he points out: "Our exhibition is a small affair, focused sharply on software products. What happens at the other two shows won't have any great bearing on us." Although several of the association's members are expected to display their products at either IT'92 or CSI-92 (and in some cases, both), they will probably have set aside separate budgets for participation in Nasscom-92.

Mehta believes the hardware industry can do with two large, regional expos (one for the north and another for the south), with some months' gap in between. "But if both Mait and CSI want to hold national exhibitions, manufacturers will be pulled to one side and users to the other," he says.

HI-TECH RAZZLE-DAZZLE

When a participant arrives at the IT'92 registration counter, he will not be required to go through the tedious rigmarole of filling up and signing registration forms. Instead, he will be asked to speak out his name, and that of his organisation, in a clear voice. *Voila!* A computer will take care of all the registration formalities in a matter of seconds, and provide him with a bar-coded identification card.

Mait's organising committee is determined to practice what the association preaches — use of information technology to improve efficiency and to ensure that everything goes off smoothly.

Should a visitor require detailed information about the exhibition (Where's the CAD section? Where are ICIM's stalls? Where's the gents room?), he or she can walk up to the nearest touch-screen monitor and tap the multimedia information system. Says organising committee president K.R. Palta: "Any keyboard-literate person will find it easy to use."

A more sophisticated display of what infotech can do will be featured at the Mait-sponsored "Open Systems Pavilion". Here, computers of various makes will work together on a local area network (Lan), running complex database applications. The companies participating here will include HCL-HP, Wipro Infotech, ICIM, Deil, DCM Data Products, NIIT, Mastek, Datapro and Cals.

R&D work on this unique project is being carried out at Mait's Delhi office. Mastek and NIIT will develop applications, using Ingres and Sybase (both database management systems). The database will be installed on Unix 'hosts' and Netware file-servers provided by the other participants.

The system is expected to be perfected and shifted to the exhibition site by mid-August. Says Mait secretary Anurag Agarwal: "For the first time ever, we will be able to demonstrate — live — for the benefit of visitors, the power of connectivity."

far. The only major company that has chosen the Madras exhibition over the Delhi show is Tata Unisys. Although things should perk up as the event nears, few in the industry expect CSI-92 to be a sellout. Explains HCL-HP chief operating officer Arjun Malhotra: "No company can afford to make a big showing at both the exhibitions."

Participating in an expo can be pretty expensive business. The larger hardware outfits can expect a tab of anywhere between Rs 15 lakh and Rs 40 lakh. And since most of them seem keen to fork out such sums at IT'92, rather than at CSI-92, they obviously expect the Mait show to give them more bang for their bucks.



CHOWDHRY: *Unfazed*

But that leaves CSI president S.V.S. Chowdhry unfazed. He maintains that the Madras exhibition "will provide a wider representation of the industry than Mait's — companies may take a smaller number of stalls, but we will cover a larger spectrum of industry segments." Chowdhry hopes to attract small companies based in the southern states, who may not be able to bear the cost of sending men and machinery to the Delhi show. "I don't see any reason why our exhibition will not be successful," he says.

Industry leaders are, however, unanimous in their opinion that only one of the two expos can survive. Says Deil vice-president (sales and marketing) Bhasker Pramanik: "The industry isn't big enough to justify two major shows." And, if the favourable response to Mait's decision to hold IT'92 is anything to go by, there can be no doubt about computer companies' first choice.

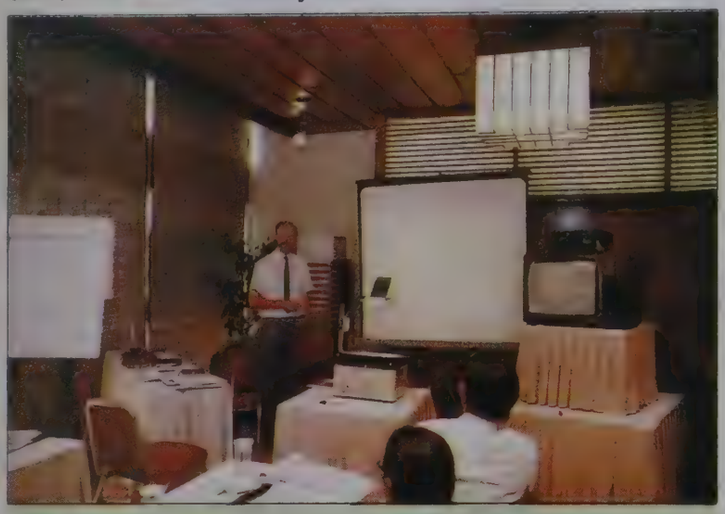
Does that mean the end of CSI's exhibition? Not necessarily. This may actually be an opportune moment for the society to revive a proposal made several years ago — to break its extravaganza into five expos (one for each metro) where manufacturers could make product presentations. Apart from being collectively considerably cheaper than one big carnival, these shows would enable vendors to deal directly with buyers and users, whose interests CSI represents.

There is one other option; the merger of the two major exhibitions. Says DCM Data Products chief executive Veer Sagar: "If the two organisations join hands, they can put up a grand show that would arouse international interest." Unfortunately, it's a little too late for that to happen this year.

□ Aparisim Ghosh and Anup Jayaram

PREACHING PLANNED CHANGE

Tony Conway doesn't exactly qualify as a management guru, but he can claim a fair following in India. The principal consultant to Britain's Industrial Training Service (ITS) was in the country last fortnight, conducting three sellout seminars (one each in Bombay, Delhi and Calcutta) on his pet subject, the management of technological change.



CONWAY: *Cautioning against unplanned change*

More and more companies are discovering that the returns on expensive technology are not always what they expect — and this, Conway says, is due largely to "non-management of change resulting out of technology implementation." All too often, businessmen presume that the installation of computer systems and new hitech manufacturing equipment leads automatically to healthier bottomlines. Says Conway: "Few people realise, until it's too late, the non-technical consequences of technological change."

Most companies seek change either by — evolution, which is slow, imperceptible and comfortable; or revolution, which is sudden, traumatic and often painful. However, well-planned organisational change, Conway points out, "falls somewhere between these two extremes."

Conway cautions companies against rushing into new technology without first assessing internal readiness to change, chalking out careful strategies and preparing to deal with resistance. "Implementing change requires people to do things, to adopt new values, attitudes and beliefs; it is a process in which emotions of people are crucial."

The timing of Conway's visit couldn't have been better. With the opening of the economy and the prospect of increased competition, more and more Indian companies are coming round to the view that technology — especially, information technology — will play an important part in separating the men from the boys in the marketplace. This realisation is not restricted to the private sector alone; state-owned corporations like Bharat Electronics Ltd (Bel), Madras Refineries and Mahanagar Telephone Nigam Ltd (MTNL) have participated in ITS's change management programmes.

The seminars were conducted under the aegis of Apple Industries' Centre for Business Transformation. Better known for its computer training schools, the company has, in recent months, been trying to establish its credentials as an infotech consultancy outfit.

If the attendance at the seminars is anything to go by, Apple's getting there.

DEFYING CONVENTIONS

Baan Info Systems' software exports plan flies in the face of accepted infotech industry wisdom; the company has hitched its wagon to a single product and has no intentions of doing anything else in the near future. But the strategy is beginning to pay decent — if not handsome — dividends.

The product concerned is a manufacturing solution, christened 'Triton', developed jointly by the Bombay-based company and its Dutch parent, the $40-million Baan International bv. Based on the MRP II (manufacturing resource planning) philosophy, Triton is aimed at small and medium-sized manufacturing companies. The Indian unit's primary function is to customise the package for individual users, and to provide most of the post-sale support.

That, as any software entrepreneur will tell you, is a highly risky position to be in. Of the thousands of new software packages that are launched in the international market every year, only a handful succeed. Had Triton bombed, Baan would undoubtedly have gone down with it.



RAMANATHAN: *Banking on the support business*

As it turns out, the product has done reasonably well, particularly in Europe and south-east Asia. And that's kept the Indian outfit busy. Says Subramanian Ramanathan, who heads the Bombay unit: "We've got our hands full." So much so, that he has set up a 24-hour phone-in service for users who need help with the system. He is currently in the process of tackling the paperwork required for a

satellite link to make the service more efficient. "Once we get the link, we'll be able to cater to most of our customers' needs without having to set out of our office," he says.

Ramanathan expects Baan's revenues to jump to Rs 55 lakh this year, up from Rs 33 lakh in 1991-92. Those aren't very big numbers; just about respectable for a two-year-old outfit. But he is confident that Triton will continue to fare well worldwide, bringing him more business. His 39-strong Bombay team is also working at fine-tuning the product and plans to translate it into most of the major European languages. In addition, Ramanathan hopes to build a series of software tools based on 'Miracle' (machine-independent risc architecture language environment), the fourth-generation computer language that lies in the heart of Triton. "We're exploring all sorts of avenues and thinking up new ways to improve the product. Manufacturing solutions require continuous upgradation and support."

Clearly, a bulk of the company's future revenues will come from the support business. It may not be the most glamorous segment of the software market, but margins are good and income steady. Ramanathan, for one, isn't complaining.

CASHING IN ON THE SCAM

Log-In Systems is in the right place, at the right time, with what seem to be the right products. The Bombay-based software company is gearing up to cash in on the computerisation binge that is expected to come in the wake of the banking scam. Says director Ian P. Morris: "In the last 30 days, we've been swamped by enquiries. With the Reserve Bank breathing down their necks, banks are taking quick decisions on software purchases. Harshad Mehta has made my day."

That's probably hyperbole; but if Log-In's 'Fists' (Fixed Income Securities Trading System) is as good as it looks on paper, it could be this summer's bestselling software product.

Fists is claimed to be a comprehensive securities dealing room system for commercial and investment banks, with dealer decision support, settlements, back-office and accounting modules. It includes provision for ad hoc reporting, queries and charts. The instruments it support include government bonds, corporate bonds, units, treasury bills, commercial paper and ready forwards. The system runs on a PC local area network (Lan).

But that's not all Morris has to offer. Log-In is also hawking 'Support' (a securities portfolio management system) and 'Spred' (a bills rediscounting system). Says Morris: "We're concentrating on niches within the banking and finance segment — our aim is to be a software resource for stock brokers, portfolio managers, mutual funds and every kind of finance company." To round off the company's products range is a sophisticated foreign exchange dealing system, claimed to the first of its kind.



MORRIS: *Harshad Mehta has made his day*

Competition? Morris doesn't believe Log-In has any. "The big software companies like Tata Consultancy Services (TCS) and Wipro are not fast enough, not flexible enough to react to the market situation. Besides, they are too preoccupied with exports to focus on small niches in the domestic market."

Log-in already has an impressive list of clients. It has installed money market systems at seven banks, including Bank of America, HongkongBank and Standard Chartered. ABN-Amro recently bought its forex dealing system. The company has also installed a settlements system for the Bombay stock exchange. But all that, according to Morris, amounts to merely scratching the surface. "Now that banks and finance companies are beginning to appreciate the value of computers, we should be able to find a lot of customers," he says.

For a start, Log-In expects to post revenues in excess of Rs 70 lakh this fiscal year, up from just Rs 23 lakh in 1991-92. Morris hopes to add to his 30-strong workforce and beef up the company's software development centre in Madras.

COMMUNICATING, WITH WINDOWS

It's the closest thing to being there. Sitting on your personal computer (PC) you can look at the contents of any other computer's storage system, at any time, and anywhere in the world. So forget about letters, couriers, faxes, telegraphs, phone calls and visits.

Some people call it telecommunicating. PC-to-PC communication over regular telephone lines became common from the late eighties. You can now connect your PC to another using a cable plugged into a socket called the "serial port" at the back of your computer. Once you have done this, you would turn on a communication program on both computers. This is necessary because you don't want the two computers to "talk" or "listen" to each other at the same time. A conversation is difficult if both sides talk at the same time.

How does this telecommunication take place? Communications software enables a disciplined dialogue that, if translated into English, might read something like this:

Computer 1: "Do you read me?"

Computer 2: "Yes, I do."

Computer 1: "I do too."

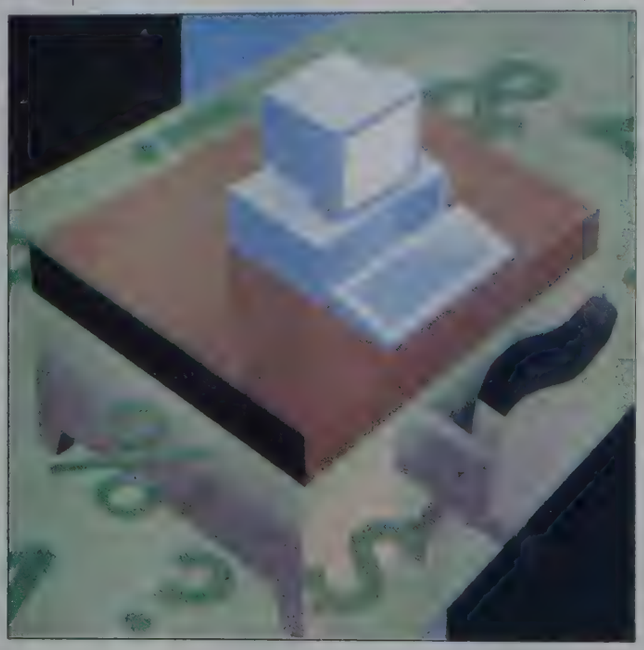
Computer 2: "I am ready to send (a message)."

Computer 1: "I am ready to receive."

After this, Computer 2 sends some data. Computer 1 receives it, stores it, and sends it back. Computer 2 then compares what was sent with what was received, decides whether the transmission is error-free and, if necessary, continues to transfer the rest of the message.

If you want your PC to communicate with another which is far away (say, in another town), you cannot connect them with a cable. In this case, you need to attach a device called a modem (modulator-demodulator) to both PCs. A modem is a circuit which can convert (modulate) data from a PC into sound-like signals which can travel through a phone line to the other PC. At the other end the phone line is connected to another modem which reconverts (demodulates) the signal back to digital data and sends it into the receiving PC.

To communicate, therefore, two PCs need to be connected to two modems which are, in turn, connected to two telephone lines. The communications software on the PCs takes care of the tasks of dialling, redialling, storing numbers, recording calls and so on.



Concepts such as electronic mail and bulletin board service have the potential to change the way we live and work

The 'Terminal' function under Windows Accessories is such a program.

To use Terminal, you double-click on Accessories and then on the Terminal icon as usual. You get the usual menu bar on top, containing the following options: File, Edit, Settings, Phone, Transfers and Help.

The File option enables you to open previously created files, or to create new ones. The Edit option is like a word processor and you can use it to modify existing files. You would use these options to create the messages you want to send.

The Settings option enables you to configure your computer to match the one that you will communicate with. This is important so that the two computers know how and at what speed to talk to each other. The Phone option enables you to enter phone numbers, which the computer would dial for you. The Transfers option is used for transferring large textual files.

In the limited amount of space available for this article, it would not be possible to go into much detail about each of the functions described here. However, you should be able to handle the basic Terminal program after a little practice.

Computer communications are primarily useful to executives for two purposes: electronic mail and electronic bulletin board services. In electronic mail (E-Mail) one computer is used as a general post office. It is always connected to a modem and phone line. Anyone can access this machine and put mail into or take mail out of electronic "mail boxes" of others. There are many such facilities available today, one of the most common being Compuserve, an American service.

An electronic bulletin board service (BBS) is similar to E-Mail but somewhat simpler. Here too, a PC is permanently connected to a modem and phone line. You can access the BBS using your own computer and read electronic "notices" that have been "posted" by others, or leave notices of your own. You could also exchange programs, pictures, data and so on.

Concepts such as E-Mail and BBS have the potential to change the way we live and work. They make the world smaller and alter our perceptions of space and time.

□ Sugata Mitra

The author is principal scientist of NITT's computer applications research division.

COMMENT

MANAGING FACTORY COMPUTERISATION

By GANESH NATARAJAN



The industrial environment of the nineties has thrown up an entirely new set of critical success factors for manufacturing units

The favourite target segment for all package manufacturers, consultants and mid-range computer vendors is the assembly-oriented manufacturing unit. The large number and variety of components, designs and products lend so well to the number-crunching and option-generating capability of computers that the returns of effective computerisation can be mind-boggling.

Indian factories in this manufacturing segment have not been very successful in computerising their stores and purchasing functions. Many organisations have gone through the arduous process of creating comprehensive item and vendor records only to find that inventory levels have not been reduced, material availability has not improved and the procurement processes remain time-consuming and error-prone.

This situation would be acceptable if the environment permitted 'business as usual.' But times have changed and the industrial environment of the nineties has thrown up an entirely new set of critical success factors for manufacturing units.

The three major factors are:

- Reduction of production cycle to the 'lot size of one,' to shorten delivery time to customers and facilitate maximum customisation.
- Elimination of all waste in the manufacturing process, including inventories, inspection and supervision.
- Total integration of manufacturing information with elimination of redundant processes.

Let us understand the implications of each new critical success factor. The 'lot size of one' explodes all historical beliefs of long production runs, economies of scale and mass production. Factories of the future will have to gear themselves up to being totally flexible with concepts like SMED (single minute exchange or die) and FMS (flexible manufacturing systems), replacing assembly lines and line balancing.

The comfort of the inventory cushion will no longer be available at the raw material, work-in-process and finished goods stages as more and more 'just-in-time' practices prevail in factories. Self-inspection and getting things right the first time will make quality control techniques and sampling plans redundant.

The entire value chain starting from order placing and going all the way through order processing design, production and material planning, procurement, component manufacturing, assembly, despatch and all the accounting interfaces will need to be tightly coupled by information technology. The linkage of inter-organisational value chains to enable faster information interchange between customers and suppliers will become a survival need.

What shape must factory computerisation take to enable the factories of the future to function effectively? The management of factory information will need three basic strategies to serve as the backbone of the operations.

- Net change MRP II (manufacturing resource planning).
- Inter-organisational systems.
- Business process and network redesign.

MRP II is a much misunderstood term and many organisations with half their stores transactions on a minicomputer proudly claim to have mastered it. The reality is that net change manufacturing resources planning is not just a computer system; it is a whole culture.

Inter-organisational systems have often been scoffed at in India by sceptics who feel that nothing is possible till telephone lines become more reliable and suppliers are better controlled. But we may be getting into a chicken-and-egg problem. Electronic data interchange is not only possible but highly beneficial.

The value of business process and business network redesign has been too often expounded by this writer. More and more organisations are realising that there is no merit in attempting incremental improvements by computerising existing systems when quantum benefits are achievable by re-engineering the way the product is conceptualised, designed, produced, distributed and commissioned. Obliterating outdated processes like vendor rating and bill passing and rethinking manufacturing strategy is an ongoing process in successful management of factory computerisation.

Finally, there is too much disjointed talk of total quality management, just-in-time and MRP II by the production specialists on the one hand, and open systems computing, CIM and workstations. The true open system in a discrete manufacturing environment will put the best and most appropriate processes and technologies together. It is imperative for the management to see through the jargon haze and get their act together as soon as possible.

The author is chief executive officer (IT division), Apple Industries.

BRIEFS

IBM and **Toshiba** are making a joint effort to promote an increasingly popular type of semiconductor that will run new portable electronics products. A Toshiba spokesman says the company is seeking partners for developing and producing "flash" memory chips. An IBM spokesman says the US computer giant plans to announce a move into flash memories within the next two months. He says IBM expects its first flash memory products will be designed for "rugged" personal computers (PCs), built to endure military and other high-stress applications.

Xerox Corp's core business — machines for creating and reproducing office documents — is now moving from traditional optics to digital electronics. Rather than simply use lenses to copy a page, a Xerox machine will scan pages electronically, send faxes and use a laser to print computer text and graphics. Xerox CEO Paul A. Allaire concedes the company has a poor track record in



ALLAIRE: *Reorganising Xerox*

getting new technologies to market fast. He has therefore reorganised Xerox into nine product divisions and three geographical sales divisions. The product divisions fall into three categories — copiers, printers and software.

Digital Equipment Corp (**DEC**) has purchased Basys Automation Systems from Independent Television News of the UK for an undisclosed sum. Basys provides broadcast newsrooms with computer automation systems that link scripts, autocues, library data and wire services. Its equipment is installed in more than 400 broadcast newsrooms worldwide, including those of ABC, NBC, CNN and BBC.

An affiliate of American Telephone & Telegraph (**AT&T**) plans to join the operating systems war between Microsoft and IBM with a new version of Unix operating system aimed at PCs. Unix is extremely popular among western engineers and other users of high-powered computers called workstations. The AT&T affiliate says it will unveil a revised Unix that is easier to use on PCs than earlier versions. The new Unix is expected to compete with Microsoft's Windows NT operating system, to be marketed later this year, and with IBM's OS/2 operating system.

Europe's three remaining indigenous large computer manufacturers have formed a joint venture to develop trans-European systems for public authorities. **Groupe Bull** of France, **Olivetti** of Italy and **Siemens-Nixdorf** of Germany have created a new company, Trans European Information Systems (TEIS), which will be headquartered in Brussels. TEIS will provide local authorities with applications that improve the availability of information technology services within the framework of a single European market.

Meanwhile, despite higher sales volume in the first four months of 1992, group sales at Olivetti eased 4% owing to across-the-board price declines. Olivetti chairman & chief executive officer (CEO) Carlo de Benedetti says the company expects to meet its break-even goal this year following a massive loss of $388.6 million (Rs 1,088 crore) in 1991. De Benedetti says he expects a recovery in the information technology market by next year.

TIEUPS

■ **IMSI** of the US has signed up with **OMC Computers** to publish the latter's computer-aided drafting software — Draft Pack 2D and Draft Pack 3D — under Windows. This fully-featured software already has an existing base of over 10,000 CAD/CAM users in India. OMC's draft pack software has been in the Indian market for more than six years.

Draft Pack 2D comprises 3 lakh lines of 'C' code and is available on the DOS, Windows and Unix operating environments. IMSI will publish and market this software in the north American market.

OMC is a Rs 23 crore company promoted by the Tatas. Draft Pack 2D takes full advantage of the graphical user interface to give an elegant man-machine interaction through the use of icons, pull-down menus, buttons and context-sensitive on-line help. Draft Pack 3D provides an integration of wire-frame, surface and solid modelling.

■ Tata Unisys Ltd (**TUL**) has entered into an agreement with **Autodesk Inc**, the world's largest-selling CAD software package, under which the former will have rights to manufacture the Autodesk range of software packages in India. TUL is among the first Indian information technology companies to start local manufacture of international software packages under the new government policy announced in April 1992.

HAPPENINGS

■ In an effort to standardise computer education in India, the computer training division of the Manufacturers' Association for Information Technology (**Mait-CTD**) has empanelled a training institute — Real Time Information Technology — in New Delhi. The total number of institutes empanelled is now 12. The Mait-CTD empanelment scheme is based upon a set of minimum norms pertaining to infrastructure, facilities and experience.

CASUALTIES OF CLOSURE

The Bombay stock exchange deadlock is proving harmful for many.

The Bombay stock exchange (BSE) brokers are at it again. Earlier, like common or garden unionised labour, they struck work over the issue of registration with the Securities & Exchange Board of India (Sebi). Today, it is the bogey of the attachment of Harshad Mehta's and the freezing of other brokers' (Bhupen Dalal and co) assets. With the government sticking to its guns, the BSE brokers have dug in for a long-haul fight.

Not that all of them were in favour of this kind of stoppage. Enam Financial Consultants chief Nemish Shah came down pretty hard on the stand his brethren had taken. Says he: "The closing of the exchange is the worst thing that could have happened." And he speaks with reason. For, the closure of the bourse set off waves which threatened to engulf many.

Undoubtedly the worst affected was the common investor whose money was locked up in shares, which he no longer wanted to retain, for whatever reason. And this restriction hurt. Ask Raja Iyer, a clerk in a private limited company in Bombay. He needs money for his daughter's marriage. And he was hoping to raise it by selling off his inherited portfolio of blue chips to meet part of the expenses. But with that door closed now, he's collecting the funds from other sources.

Some investors are hurting for other reasons. B.D. Agrawal, a Bombay-based small-time investor, who is a Tisco shareholder, is one of them. In normal circumstances, he would have sold off his original shares and with that money applied for the rights issue the steel megacorp has come out with. "But with the market closed, I couldn't do a thing. I forfeited my rights," says he.

Even companies were delivered body blows. With the sentiment among investors poor, public offerings by some new companies, marketmen say, barely managed to scrape through by garnering just the minimum subscription required. For example Lalit Polymers & Plastics (issue size: Rs 1.80 crore), Manav Yarn (issue size: Rs 1.80 crore), among others.

Not that brokers themselves escaped unscathed. A couple of months before they downed shutters, daily trading on the BSE was in the vicinity of Rs 500 crore. And even if one puts brokerage at 1%, it amounts to a huge Rs 5 crore. No doubt they raked in a fortune during the boom period, but the cessation of trading still was an opportunity loss. While brokers can make up their loss in a few trading sessions, what will take time repairing is the bashing that the stock-market community's image has suffered. Says Empeegee Consultants chief Parag Parikh: "The closure has given a bad image to BSE brokers." Not that the broking community's reputation was anything much to write home about, what with the likes of Harshad Mehta, Bhupen Dalal and Abhay Narottam being implicated in the securities scam. But still.



The itch to close, thankfully, hadn't spread to the country's other bourses. But trading on most of them was dull with volumes running in few crores, in sharp contrast to the large volumes witnessed earlier. Says Calcutta-based C. Mackertich & Co owner Utsav Parikh: "There are hardly any transactions taking place on Lyons Range. The transactions reported are all kerb deals, which are now being entered into the books of brokers." Besides, brokers have now started charging higher brokerage for doing any business. Their reasoning: they have to be extra cautious that shares which are being delivered to them are not emanating from any of those involved in the scam. "For the way things are going, I don't know if my best friend on the stock exchange will be caught up in the vortex of the scam. And if he gives me shares which are considered bad, well, it will be my neck," says a broker unwilling to be identified.

Obviously, testing times lie ahead for the country's stockmarkets.

□ A correspondent



THE BSE TRADING RING & (INSET) NEMISH SHAH: *Will the good times return?*

INVESTING IN STAMPS

Philately is more than a pleasurable hobby; it fetches good returns.

Quick, take a guess. Which investment has appreciated in value from a mere Rs 10 in 1948 to a stupendous Rs 2-2.5 lakh today? If your guess was a stamp, then you're quite right. If you specified it as a Mahatma Gandhi stamp with the word "service" printed across, you would be bang on target. As have been several stamp collectors who have piled in loose change into these little bits of paper only to see it transformed into a big hoard over time.

For some the takings have been so good that they've even made a regular business of philately. Take the case of Calcutta-based Mani Chand Sukhani. An amateur philatelist, he struck his first stamp transaction in the sixties and pocketed Rs 800 in the bargain. Today, he has his own firm Euro Phil Ltd (EPL), which last year chalked up an annual turnover of Rs 1.50 crore from the sale of stamps alone. Exports contributed a hefty 40% of that. Says Sukhani: "Collecting stamps has so many aspects to it. First, it's a pleasurable hobby which fetches you returns. Second, there's less of a risk of your investment depreciating as compared to the stockmarket."



SUKHANI: *Bullish about stamps*

The problem, however, is that philately is highly specialised and the chances of landing up with a dud investment are very high. So, how does a novice start out?

Says Sukhani: "Get in touch with a professional philatelist. Though there are between 25 and 30 of them in the country they are the best persons to guide an investor on which stamps to invest in." But prior to investing, he suggests, it would be wise to get acquainted with stamps by studying international and Indian catalogues, which can be picked up from a bookstore. A subscription to stamp journals is a must as it will help the novice keep a tab on the latest trends. The next step, he says, is to attend stamp auctions which are held in Bombay, Calcutta, Madras and Delhi. Another source for valuable stamps is the full- and part-time stamp dealers in the large metros. "But always take a note of the condition; be sure they're not fakes. Often people are duped by unscrupulous persons," advises Calcutta-based Reform Mills managing director D.N. Jatia who is also an avid stamp collector.

Which stamps should an investor keep his eye open for? "Those with errors, and freak stamps. These have appreciated a lot. Then there are stamps which were printed only for special purposes," says Sukhani. He explains further that stamps with printing errors like the inverted head of the queen, which were issued in 1954 with a face price of 4 annas (25 paise), now fetch a minimum of Rs 5 lakh depending on the condition. There are many more examples which Sukhani recalls. Says he: "Stamps which were printed in small numbers and meant for circulation only among special categories of people like bureaucrats and diplomats have appreciated." An example is the Mahatma Gandhi stamp mentioned earlier. Incidentally, these stamps were printed in Switzerland as during those days India did not have access to sophisticated machines.

According to him, the latest craze among philatelists is envelopes recovered from aircraft wreckages. The reason for this is that these are normally marked 'salvaged' and they have a mark made by the post master mentioning the date of the crash and where it took place. Similarly war envelopes are bought and sold at prices ranging anywhere between Rs 2,000 and 5,000.





THE INVERTED QUEEN HEAD STAMP (L) & THE GANDHI STAMP: *Highly prized*

But who are the buyers and why? According to Sukhani there are a number of collectors not only in India but also abroad. "People invest in wine, teak, antique etc. And so it is with stamps."

As far as his own business goes, Sukhani has no problems getting hold of stamps by the thousand. Says he: "Most of them come from office waste which is sold to waste paper dealers. It is here that sorting is done and envelopes with stamps are sold to the stamps dealers. This is done throughout the world. We exchange, buy and sell with our foreign counterparts the same way. From here it is purely business," says he. Rare and old stamps are mostly unearthed when old papers and documents are dumped by people.

On the whole he's quite bullish about stamps as an investment avenue. Says he: "Looking at the appreciation of stamps there is not a single blue chip scrip which could appreciate to such levels." Any takers?

□ Ashoke Laha

ISSUES & PROMOTERS



H

e is stepping into a field where every competitor is angling to get a firmer foothold. But Top Line Shoes Ltd (TLSL) promoter H.M.G. Murthy is unfazed. On the contrary, he believes that competition will benefit the company.

TLSL is setting up a 100% export-oriented unit at Baroda to manufacture quality leather shoes and sports shoes. Says Murthy: "There is plenty of scope for everyone to expand. I don't envisage any major difficulty in marketing our products for the next three years." The only hassle he may face is a price war led by competitors looking for an edge. But Murthy is confident. "The profit margins are very attractive because of the higher value-addition coupled with the rupee devaluation," he says.

To part-finance the Rs 8.45-crore project, TLSL is entering the capital market on 10 July with an at-par equity issue of Rs 4.65 crore.



I

f a company's promoter is taken as the sole criteria for the success of an issue, Laser Lamps (Haryana) Ltd (LLHL) stands a good chance. The company has been promoted by the Delhi-based Jain group headed by L.K. Jain, who earlier set up Lumax Industries. Lumax has a virtual monopoly in the automobile lighting equipment industry; LLHL will manufacture halogen lamps targeted at the same segment.

Says Jain: "The main reason for promoting a new company is to expand our product range and thus indirectly consolidate our base." LLHL has entered into a technical agreement with IL-LI Industrial of South Korea, which will also buy back 20% of the company's production. Adds Jain: "There is every chance that LLHL and Lumax Industries will be merged later."

To part-finance the Rs 7.13-crore project, LLHL is entering the capital market with an at-par equity issue of Rs 3 crore.



O

ne of India's leading project engineering construction companies, Artson Engineering Ltd (AEL) is diversifying into the manufacture of heat exchangers (fin fan coolers) and finned tubes. Managing director N.K. Jagasia has clear-cut ideas on where he intends to take his Rs 12 crore outfit. Says he: "We want to broaden our base. I believe that AEL's main asset is its manpower. We want to be known as a multiproduct company and don't want to confine ourselves to one area."

AEL also proposes to modernise and upgrade its construction methodology by acquiring material-handling and power-generation equipment. These will help AEL undertake large contracts in the petroleum, natural gas, power and petrochemicals sectors.

To part-finance the Rs 3.61-crore modernisation-cum-expansion, AEL is entering the capital market with an at-par equity issue of Rs 1.80 crore.



A

fter establishing its credentials in core areas like steel, cement and leasing, the Rs 300-crore Goldstar group is now entering the health care industry by promoting Goldstar Remedies Ltd (GRL).

Says GRL managing director Jonnada Subba Rao: "Previously, GRL was a trading house and it has built up a good reputation. We shall now manufacture bulk drugs and pharmaceuticals at our plant in Medak district of Andhra Pradesh. We will initially concentrate on exports." The company plans to manufacture diclofenac sodium, trimethoprim, pharmaceutical formulations, tablets, capsules and injectibles. Commercial production will begin in October 1992.

To part-finance the Rs 7.25-crore project, GRL is coming out with an at-par equity issue of Rs 3.95 crore.



It has all along been a name in the hatcheries business. And it first tapped the capital market for group company Western Hatcheries a couple of years ago. Now, the Venkateshwara Hatcheries group is approaching the public once again. This time for Venky's (India) Ltd (Vil).

Says Vil chief B.V. Rao: "Our objectives are two-fold. First, we want to create a corporate image in investors' eyes. This will help us in future when the other companies in our group also go public. Secondly, we are implementing other expansion programmes for which we need finance." Vil is setting up a broiler parent farm and hatchery having a capacity of 40,000 broiler parents, and a pellet feed mill with a production capacity of 36.000 tonnes per annum (tpa), all to be located in Pune district.

To part-finance the Rs 30-crore project, Vil is floating a Rs 6.58 crore equity issue on 22 July, at a premium of Rs 13 per share.



Textile export has become even more lucrative because of the rupee devaluation. And among those hoping to rake in the moolah is Goa-based Atlantic Spinning & Weaving Ltd (ASWL), promoted by the Rs 84-crore turnover Jain group headed by V.K. Jain.

Says Jain: "Ours is a well-diversified group with interests in steel, construction and leasing finance. We are now setting up a 100% export-oriented textile unit in Goa. Land has already been purchased for the project and construction has begun." ASWL till now was involved only in spinning, but with the completion of the new unit, the group intends to start weaving too.

To part-finance the Rs 41-crore project, ASWL is entering the capital market with an at-par equity issue of Rs 8 crore.



Another company on the diversification trail is Delhi-based Shree Industries Ltd (Sil), promoted by Ravi Mittal. Already in the business of chemical manufacture, it now plans to make a foray into paper manufacturing. Says Mittal: "Basically, we wanted to diversify into a related field and the paper industry was the best choice. As an advantage, we own a small speciality paper manufacturing unit."

Sil will manufacture printing and writing paper of various grades and qualities. The plant, situated in Ahmedabad, has an installed capacity of 10,000 tpa. Commercial production has already begun and the plant is operating at 50% capacity.

To part-finance its plans, it is entering the capital market on 20 July, with an at-par equity issue of Rs 1.80 crore.



He's another steel man in the making. I.S. Gambhir is setting up a mini steel plant, Nova Udyog Ltd (NUL), in Nainital district of Uttar Pradesh with a capacity of 2 lakh tpa.

Says Gambhir: "As I've spent a major part of my life trading in steel, I always wanted to manufacture it." Even the recent hike in excise duty on steel products has not deterred him. Says he: "The change in excise duty will ultimately be passed on to consumers. Besides, since my plant is located in a backward area, we will get some additional benefits." Technical knowhow for NUL is being supplied by German firm Leybold Heraus. Next year, Gambhir intends to set up a 50,000 tpa (Rs 25 crore) wire rod mill and a 41 lakh tpa gas-based sponge iron plant.

To part-finance the Rs 73.30-crore project, NUL is entering the capital market with an at-par equity issue of Rs 14.56 crore.

PFY SCRIPS: LOSING ATTRACTION

By RAAMDEO AGRAWAL



The PFY industry is likely to face a problem of excess supply

The stock scam has completely paralysed the bourses. Trading has been taking place in fits and starts what with some problem or the other cropping up every now and then. Nobody is sure what the future holds.

What is called for is proper coordination among the various parties involved — the stock exchanges, the CBI, the finance ministry et al. To restore investors' confidence (Indian as well as foreign), the government must act quickly and firmly to ensure that the market stays open and functions without any hindrances.

From the market, let's shift to the segment that we're focusing on this time — the polyester filament yarn (PFY) industry. It had been a very 'sensitive' industry probably because of the dominant role that Reliance played in the production and marketing of this fibre. It was a highly profitable product when the Ambanis started making it in the early eighties. And it stayed that way for some time as entry barriers for new manufacturers and imports were very high. But once the winds of liberalisation blew in, thanks to the Rajiv Gandhi/V.P. Singh combine, the picture changed totally.

In the liberalised raj, licences were handed out to practically everybody and broadbasing was allowed. The excise structure was thoroughly rationalised. All this led to a shrivelling up of profits for PFY makers.

Currently the industry's installed capacity is 2 lakh tonnes per annum (tpa); some 50,000-60,000 tonnes are expected to be added to that figure by way of new plants and expansion plans of existing majors. The problem here is that demand is not really keeping pace with supply. The new units are undercutting the older ones because of their sales tax benefits. The result: the PFY segment has emerged a buyer's market. The 1992 budget provided excise reliefs to the tune of Rs 10 per kg; producers gobbled up the entire benefit without passing any of it to consumers. Today, however, that situation is becoming difficult to sustain. Raymond Synthetics and Sanghi Polyesters have started selling good quality material at lower prices. The prices have come down by Rs 10-15 per kg in the past two months.

And the tidings are not about to get any better. The scam has dampened the bill discounting market. Hence, the rollover of money will slow down which will further affect the industry's prospects. The export front is also not too encouraging. European Community countries are resisting the entry of Indian textiles. Thus, the industry is likely to face a problem of excess supply till demand picks up substantially.

With that picture in mind, let's take a dekko at individual scrips of PFY makers.

Reliance Industries: The undisputed PFY market leader, Reliance derives more than 50% of its turnover by selling the product. The company also makes polyester staple fibre. But this product too is facing an oversupply situation and is no longer a profitable proposition. Linear alkyl benzene (Lab) and purified terephthalic acid (PTA) are two other products the company turns out. Each of these contributes 10% to Reliance's turnover.

However, the company is not banking on these products for quantum jumps in growth; that will come courtesy the merger with Reliance Petrochemicals Ltd (RPL), the manufacturing activities of which are based on imported feedstock.

Once Reliance's gas cracker gets cracking the company's profitability is likely to leapfrog. Till then, there will be growth in turnover, with the commissioning of all the downstream petrochem units. Profitability, however, may not be something to write home about because a lot will depend on worldwide polymer prices and the protection levels provided to indigenous producers.

Century Enka: It figures amongst the more reputed PFY manufacturers. But profitability has been on the decline for the past three years.

Orkay: A speculative scrip.

DCL Polyester: It is one of the first companies to have a new generation PFY manufacturing plant. It has yet to dole out its maiden dividend but that is expected anytime now. Profitability is not commensurate with the price the scrip is quoting at currently. Book profits.

Raymond Synthetics: A blue-chip.

Sanghi Polyester: A speculative scrip.

Parasrampuria Synthetics: One of the fastest growing PFY companies. Low project cost and phased expansion will keep the company more profitable than other new outfits in the business.

JK Synthetics: The poor quality of yarn it produces will further weaken the prospects of reviving this company.

The author is a Bombay-based investment consultant.

TWO LONG-TERM PICKS

By CLIFTON DeSILVA



The shares of Lipton and SKF Bearings are worth picking up at declines for long-term investment

The author is a Bombay-based investment manager.

For several decades, it relied totally on tea. **Lipton's** heavy dependence on this single product left it in a vulnerable position. Volume growth lagged behind the increase in overhead costs which resulted in margins being squeezed and a decline in profits. Between 1979 and 1981, Lipton's marketshares eroded sharply and its net worth was virtually wiped out. To add to its woes, a prolonged industrial relations problem disrupted operations over an extended period and the company's prospects came under the darkest of clouds.

That cloud soon disappeared thanks to a major development overseas: the company's UK-based parent Thomas Lipton was acquired by the Unilever group. But it wasn't until 1983 that Lipton felt the effects of this acquisition. It was in that year that the Unilever umbrella opened up and Hindustan Lever's non-core sector businesses were handed over to Lipton. Lipton received three sizeable divisions: edible fats, animal feeds and dairy products.

Thus Lipton emerged a multi-product, diversified outfit with considerable potential for further growth. In two years the company's financial profile changed dramatically. The domestic tea business was turned around and from being a drain on the company's resources became a positive contributor to profits.

Today, the tea business is large and profitable. With the introduction of the brand Taaza, Lipton has achieved a breakthrough in building volumes — in a span of just four years. The other brands — Tiger, Ruby and Top Star — have also been strengthened. By intensifying its thrust in the rural markets, Lipton has emerged leader in the rural packaged arena.

In the edible fats business, the company's major brands are Dalda, Flora and Gold Seal. Added to the list is Flora refined sunflower oil which has established itself in a four-year span. And in order to strengthen its presence further Lipton is all set to acquire Lever's edible fats factory in Shamnagar (West Bengal).

Also a major contributor to the Lipton bottomline is the dairy business which boasts of brands such as Anik ghee and Anik Spray skimmed milk powder. The company is also leader in animal feeds.

As for the future, plans to introduce several new products are in the pipeline. One such is margarine, where Lipton can access the technological strengths of Unilever, the world leader in this product.

Indeed, Lipton can no longer be recognised as the company which was on the verge of industrial sickness. Turnover, which stood at Rs 84.37 crore in 1981-82, galloped to Rs 673.63 crore for the year ended March 1991. Net profit advanced to Rs 11.53 crore (Rs 1.62 crore) while reserves, which were a negative Rs 88 lakh, swelled to Rs 32.11 crore. The earning per share (EPS) for 1991 worked out to Rs 7.32 while a 25% dividend was distributed.

The future for Lipton is promising. The shares, currently quoting around Rs 250, appear excellent for long-term investment at declines.

Capital Project India. That's **SKF Bearings'** masterplan to corner a chunk of the Indian bearing market that's slated to grow at 9% per annum (pa). The project, commissioned in 1990, involves the introduction of new-generation bearings never before manufactured in the country. For this the company has kicked off a special factory at Bommasandra near Bangalore which is considered the most modern bearing-making unit in the world. It has a capacity of 26.4 million ball and roller bearings pa while a second unit — at Chinchwad (Pune) — has a 22.35 million pa capacity.

SKF today is a market leader but, with virtually every bearing company going in for massive expansions, competition is just around the corner. SKF, naturally, isn't taking its leadership status for granted; it is investing Rs 200 crore-plus in expansion — the largest ever by an Indian bearing outfit.

On the technology front, SKF has access to its parent's — the SKF group worldwide's — R&D facilities on which over 500 million Swedish kroner are spent every year. The massive investments made by SKF have resulted in its gross block shooting up from Rs 21.92 crore in 1981 to Rs 206.72 crore in 1990-91.

The current expansion programme does not involve any addition to the capital but will be financed via internal accruals and borrowings. No doubt, in the short run, the company will be burdened by high depreciation and interest costs; nevertheless, by 1993 the benefits of Capital Project India will start showing.

Currently priced around Rs 2,600-2,700, the SKF scrip appears excellent for long-term investment at declines.

TECHNICAL ANALYSIS

A TURNING POINT?

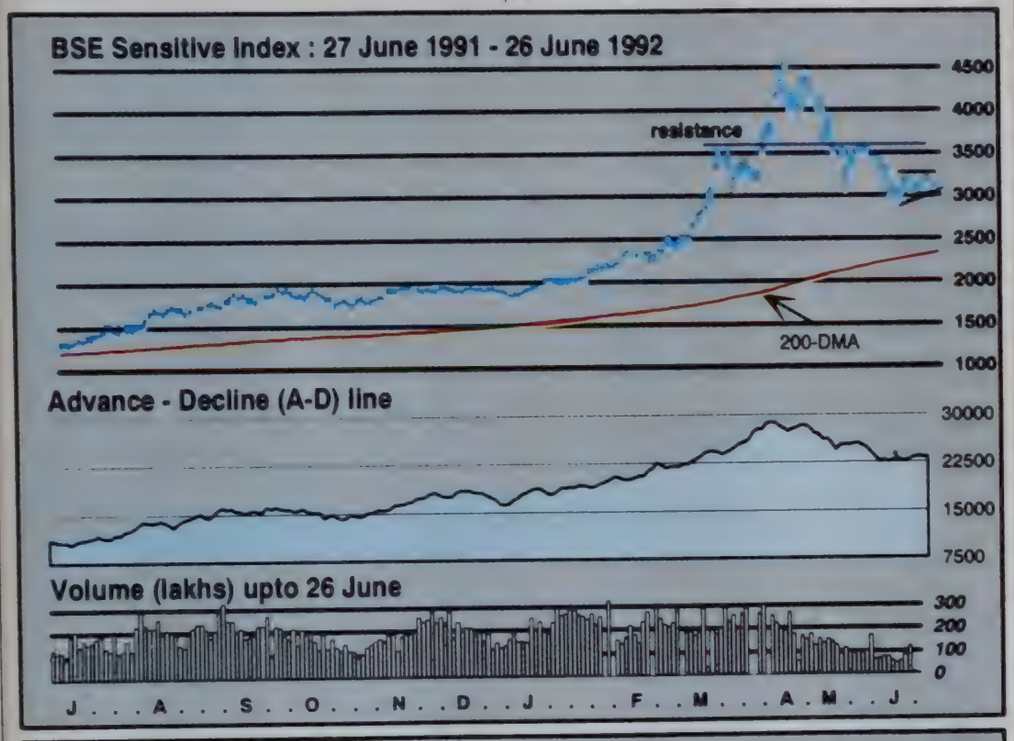
By DEEPAK MOHONI



Dalal Street went through another trading fortnight conspicuous by the absence of trading. There were only two days on which there was any activity at all in the market, and even on those occasions a majority of the brokers refrained from entering into any trading. At the time of writing, the problem of the infected stocks was nowhere near a sensible solution.

The two days of trading that did take place — on 25 and 26 June — saw the Bombay stock exchange sensitive index (BSE Sensex) decline from its 10 June close of 3,140.80 to 3,080.54 for a fall of 60.26 points (1.92%), while the national index (NI) dropped from 1,381.36 to 1,336.75, thereby losing 44.61 points (3.23%).

Only 115 scrips were traded on 25 June with a total volume of 9.65 lakh shares, while token transactions were recorded in 120 scrips on the following day, with just 1.89 lakh shares changing hands. The average number of shares traded since 1 May was 1,464 per day, while the average daily volumes have been 104.13 lakh shares. These statistics exclude the transactions that took place on 25 and 26 June.



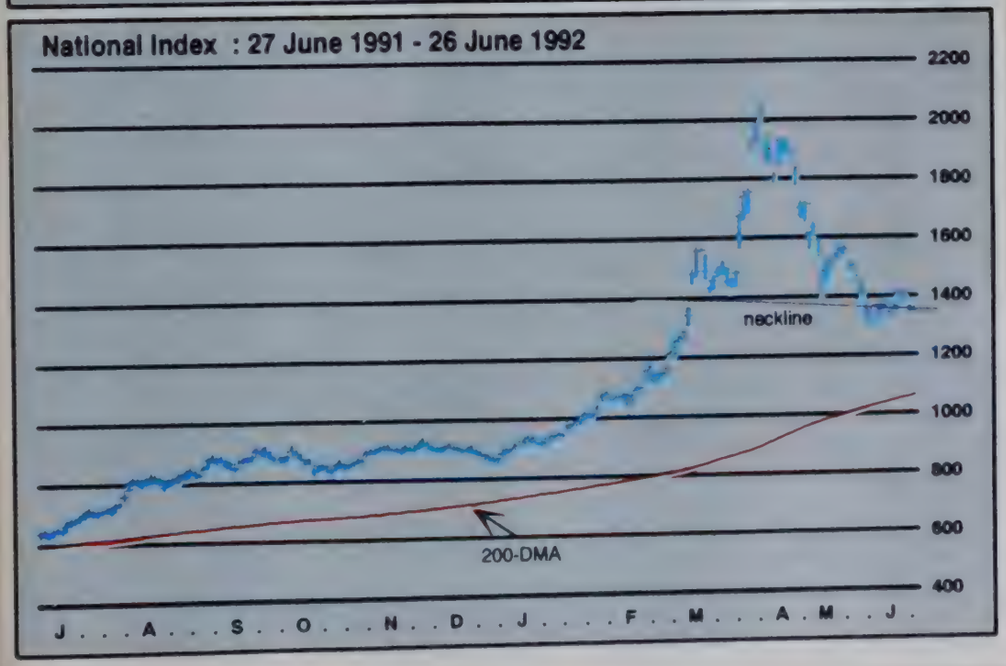


Chart patterns will have to be viewed with scepticism for a while, as these are based on a market operating on normal demand and supply, and not one where the trading rules are changed at the whims of individuals. The Sensex chart shows resistance around 3,200 and 3,550, and an ascending support line. In fact, taken with the resistance at 3,200, we have a picture akin to a tiny ascending triangle with a minimum upside target just under the resistance at 3,550. The Sensex would need to clear 3,200 in order to make the triangle operational.

FAILED PATTERN

The NI, on the other hand, had fallen below the neckline of a head-and-shoulders top. If the neckline on this formation were to be drawn by touching the intra-day lows of 1,397.02 (11 March) and 1,379.42 (12 May), we get a downward-sloping line which was penetrated upwards for at least two days suggesting that the pattern failed.

The advance-decline (A-D) line is useful in anticipating trend changes only when it diverges from the indices. This has not happened in the present situation, as the fall in the A-D line corresponds almost exactly to that in the indices.

In spite of the major decline in the market since it topped out on 22 April, most stocks are still above their 200-day moving averages (dmas), indicating that the long-term trend of the market is still bullish. Of the 88

(86.4%) "A" group scrips 76 are above their 200-dmas, while 78.4% of all scrips are above their long-term moving averages. The 200-dma of the Sensex is 2,302.03 and that of the NI 1,063.35.

HEALTHY COMBINATION

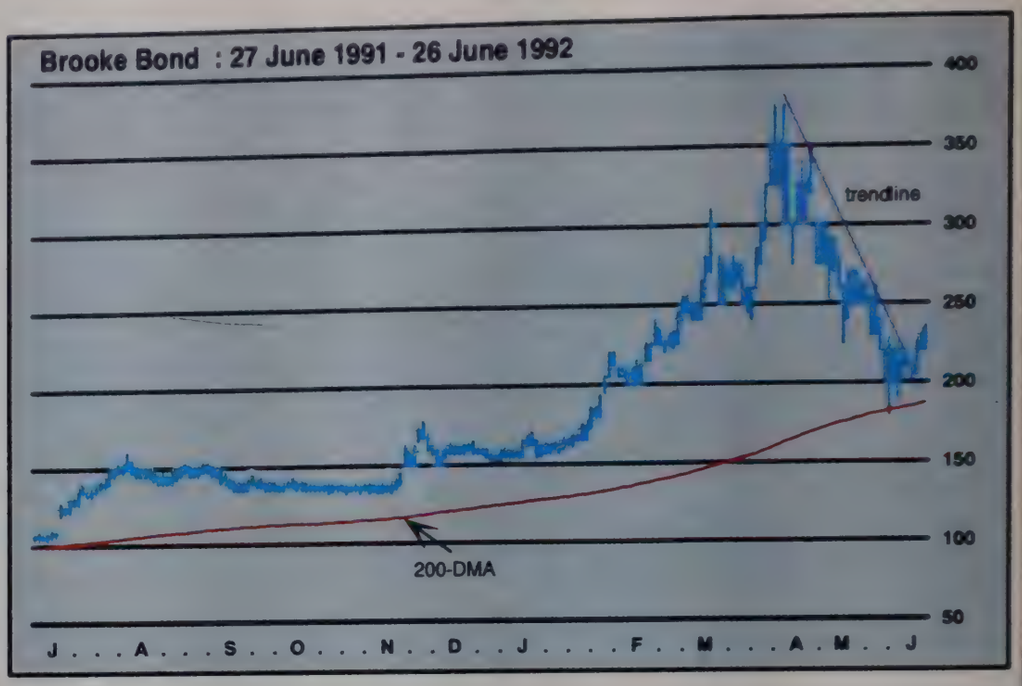
As may be expected from the 200-dma statistics, and the fact that the market (Sensex) has retraced about half of its gains, many stocks have declined to around their 200-dma values, which is often a turning point. In this issue, three such scrips from the specified group have been picked, all of which have broken the descending trendline corresponding to the intermediate-term market correction. Theoretically, this is a healthy combination, and would suggest that these scrips are ready to rally.

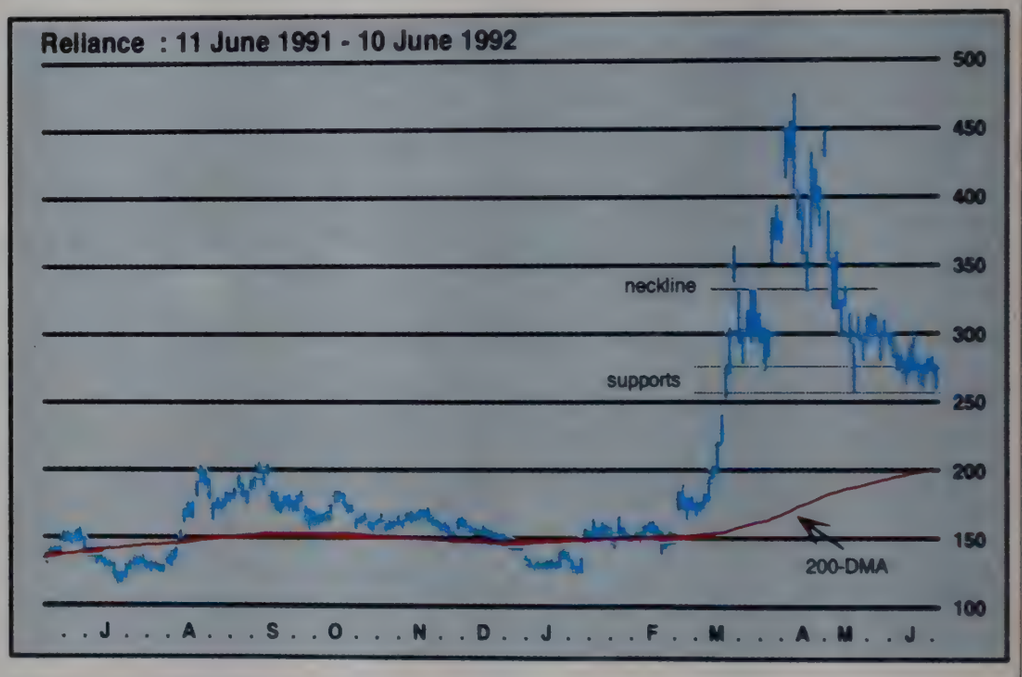
Brooke Bond dropped from Rs 350 to Rs 205 (closing prices) during the market slump, and has steadied since then. Its last closing was Rs 220, and its 200-dma is at Rs 187.69. The stock cleared its descending trendline about four trading sessions back. It turned around from a minor support level established in early February. The stock's next resistances are at Rs 240 and Rs 300.

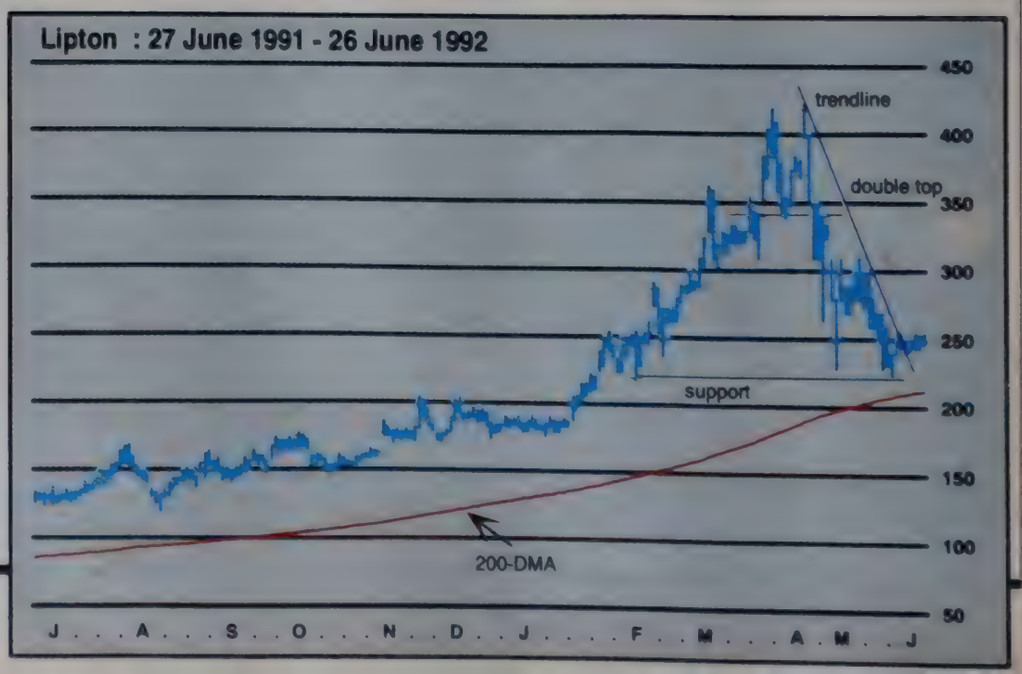
Garware Polyester fell from Rs 220 to Rs 117.50, and its last close of Rs 130 is its highest quote since the last bottom. The stock formed a minor double bottom formation, and its last quote is just under the minimum upside target for the pattern. It has a 200-dma of Rs 89.44, and has broken through its intermediate-term descending trendline. Its immediate resistance levels are at Rs 135, Rs 150 and Rs 180.

Finally, **Lipton** suffered a fairly sharp fall from Rs 420 to Rs 240 after forming a double top. The double top formation suggested a fall to at least Rs 260 which has been exceeded. The stock has broken through its descending trendline, and is currently struggling to get past resistance at Rs 255. Its next resistance levels are at Rs 290, Rs 310 and Rs 340. The stock's 200-dma is Rs 212.18.

• *The author runs Smartcharts, which offers chart services and technical analysis research.*







CAPITAL GAINS: WHOSE GAIN?

By RAGHU PALAT



Soon after finance minister Manmohan Singh presented his budget an investment adviser stated euphorically: "This budget is tremendous. The provisions relating to capital gains are extremely pro-capital market. The market will boom." Was this bullishness justified? To arrive at an answer, let's closely scan the amendments relating to capital gains introduced in the Finance Act 1992.

To begin with, the changes relate to long-term capital gains (gains made on selling capital assets at least 36 months after acquisition or 12 months, if the assets are shares) alone and exclude short-term gains.

Prior to the amendments s.48(20) of the Income-Tax Act (ITA) exempted the first Rs 15,000 of any capital gains made in a year and 60% of the excess over that amount.

A HEFTY SWIPE

How the new order eats away your capital gains

			(Rs)
Gain	40,000	80,000	100,000
Under earlier provisions			
Deductions under s.48(2)			
First	15,000	15,000	15,000
60% of excess over Rs 15,000	15,000	39,000	51,000
Taxable gain	10,000	26,000	34,000
Tax payable			
20%	2,000	5,200	6,800
30%	3,000	7,800	10,200
40%	4,000	10,400	13,600
50%	5,000	13,000	17,000
Under new provisions			
Tax at 20%	8,000	16,000	20,000

The inequity of this was that it did not take into account how long (three years or 10 years) an asset was held. Today, however, things are different. The Finance Act 1992 states that:

- The cost of acquisition and the cost of improvement of an asset will be linked to a cost-inflation index which will be notified by the Central government. Long-term capital gains will be computed by deducting the indexed cost of acquisition and the indexed cost of improvement from the total sale price of an asset being transferred.
- The cut-off date for valuing assets acquired in earlier years is to be changed from 1 April 1974 to 1 April 1981.
- The provisions for protection from fluctuations of the rupee's value in respect of shares or debentures now available to non-resident Indians are to be extended to all non-residents.
- A new s.112 has been inserted which states that long-term capital gains are to be taxed at a flat 20% rate. This appears to benefit individuals. Earlier, after the concessions and deductions, the cess on gains taxable was at the rate applicable to an individual — it could have been as high as 56% with surcharge (now 44.8%).

Apart from adding facilities, the Finance Act lopped some too. For instance:

- Hitherto, under s.54E, capital gains were exempt if the entire amount was invested in capital units and rural development bonds within six months of transfer. Proportionate exemption was also allowed. This facility has been withdrawn.
- There was total exemption from tax for capital gains arising from the transfer of a house where the deal amount was up to Rs 2 lakh and proportionate exemption where it exceeded Rs 2 lakh under s.53 of the ITA. This section has been omitted now.

Finally, in cases where the liability to tax arises on inclusion of capital gains to an individual's total income, tax will be levied at a flat rate of 20% on the excess over the minimum exemption limit. Surcharge will apply. However, the individual will not be entitled to s.88 deductions.

Are these changes worthy enough to go ga-ga over? Indexation and the recognition of holding costs are indeed positive steps. But there are several other negatives:

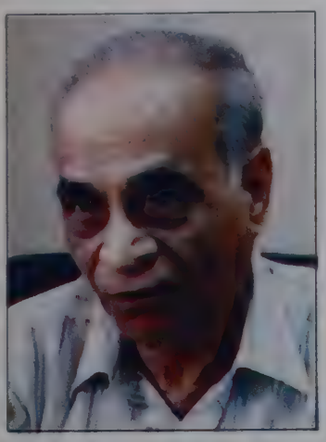
- The withdrawal of s.48(2) concessions will hit the small investor hard especially if he sells shares after a year, if his gains are small or if his tax rate is low (see table).
- The withdrawal of the s.54E benefit is unfair. This section provided an opportunity to purchase securities in order to avoid capital gains tax. Additionally, it encouraged savings.
- Similarly, there seems to be no real use in withdrawing the s.53 benefit. The ones likely to be affected are the poor.

In short, only those who have made extremely large gains (over Rs 2 lakh) and who have held assets for several years are likely to benefit courtesy the changes. Even they, however, will lose out with the withdrawal of s.54E. The poor man and the middle-class investor have been ignored. And that really is the sad reality.

The author is vice-president & audit manager — South Asia — of American Express. The opinions expressed are his own.

A SCHEME FOR ALL SEASONS

By M.D. MUKHI



Dhanavarsha (5) has plenty of options to satisfy the varying tastes and needs of all classes of society

Life Insurance Corp Mutual Fund's (LICMF's) 16th scheme, Dhanavarsha (5), is a six-year close-ended scheme designed for all seasons. It offers four options to investors.

Option I (immediate monthly income) provides for monthly income of 14.75% for the first two years, 15% for the next two years and 15.25% for the last two years. The effective yield if compounded on a yearly basis works out to 15.79%, 16.08% and 16.36% respectively for the three periods.

Under Option II (deferred monthly income), though the income will accrue with immediate effect, it will not be distributed for the first year. The distribution of income by way of post-dated monthly warrants will be at the rate of 19% for the second and third years, 20% for the fourth and fifth years and 21% for the last year. The effective rates of interest will work out to 20.75%, 21.94% and 23.14% respectively. This option has been designed for retiring employees to reduce their tax burden during the last year of their employment and to provide them with higher income thereafter.

Under Option III (accumulated income with s.80L benefit), monthly income at the rates specified under Option I will not be distributed but accumulated for the purpose of s.80L benefit. The accumulated income at the end of the scheme period will be rounded up to 150% of the face value of the units held.

Under Option IV (growth with capital gains benefit), there will be no declaration of annual income. On the expiry of the scheme period, the growth will be at least 150% of the face value of the units held, and the investors can avail of long-term capital gains tax benefit.

The options should be exercised at the time of application itself. Where the option is not exercised, the applications will be accepted under Option III. At the end of the scheme period, there will be a maturity bonus of 1% of the face value of the units held under all the four options. Investors will also be eligible to share in profits on a pro rata basis after the termination of the scheme.

Applications can be made by: (i) adult Indian residents, singly or jointly; (ii) minors, through parents/guardians; (iii) Hindu undivided families (HUFs); (iv) trusts authorised to invest in Dhanavarsha; and (v) companies, bodies corporate, bodies of individuals, societies, cooperative societies, schools, colleges, universities, clubs, associations and other such bodies. Foreign nationals, non-residents and partnership firms are not eligible to apply.

The face value of the units under the scheme is Rs 10 and the applications will have to be in multiples of 50 units. A person has to invest a minimum of Rs 5,000 if he chooses Options I or II and Rs 1,000 if he goes in for Options III or IV. There is no upper limit on the amount of subscription. The applications will be accepted till 31 July 1992. Early subscribers will earn an incentive.

The main attractions of the scheme are safety of capital, the liquidity of investment and the availability of multiple options. Units enjoy the following tax benefits:

- There is no deduction of tax at source.
- Under s.80L of the Income Tax Act (ITA), income from Dhanavarsha together with other income from specified sources is eligible for deduction from total income up to a maximum of Rs 7,000.
- Investment in Dhanavarsha qualifies for exemption from wealth tax.
- Under Option IV, if an investor holds the units for a minimum period of three years, he will be eligible to capital gains relief under s.48(2) of ITA, on re-purchase/ redemption of units.

Only the first-named applicant will be entitled to tax benefits.

There are plenty of attractive options in Dhanavarsha (5) to satisfy the varying tastes and needs of all classes of society. The monthly income options provide a better effective return than that offered by company deposits and non-convertible debentures, particularly when we consider the varied tax benefits, greater security and liquidity of funds under the scheme. The cumulative options appear to be more attractive than government-sponsored schemes like Indira Vikas Patras and Kisan Vikas Patras, under which the invested amount doubles in five years (with no tax benefits) as compared with two-and-a-half times growth in six years under Dhanavarsha (5) plus tax benefits and maturity bonus.

In sum, Dhanavarsha (5) is an investment scheme for all seasons as it broadly satisfies the return-risk-liquidity criteria of a good scheme, with virtually a cocktail of options for all classes.

The author is a Bombay-based investment consultant.

BusinessWorld

INVESTOR CONTEST

Last date for the receipt of entries: 18 August 1992.

ention is drawn the change in Rule 12

There's no entry fee, no risk. But there's Rs 5,000 to be won every fortnight. Here's how.

Every contestant is given a notional Rs 1 lakh to invest in shares. The money can be invested in up to five scrips listed on the Bombay stock exchange (BSE) at closing prices on a reference date specified by *BusinessWorld (BW)*. This notional portfolio will be evaluated by *BW* a month later (approximately). Three contestants, whose portfolios register the largest gains, will be entitled to cash prizes: Rs 2,500 being the first prize, Rs 1,500 the second and Rs 1,000 the third. The names of all the winners will be published in *BW*.

THE RULES

1. The notional amount to be invested is Rs 1 lakh.

2. Investments (in market lots only) can be made in any five companies' equity shares which are listed on the BSE.

3. Investments in debentures or securities other than equity shares are not permitted.

4. No investment can be made in scrips in which there has been no trading on the reference date for investment (5 August 1992 for Contest No 24).

5. Investments in scrips quoted below par value on the investment date cannot exceed 25% of the total (Rs 25,000).

6. The maximum amount investible in any one scrip is Rs 50,000.

7. Investments must be made on the basis of the closing prices of shares on a date specified by *BW*. **This time the date is 5 August 1992.** Quotations based on prices at stock exchanges other than Bombay will not be permitted.

8. The portfolio will be evaluated on a date (to be specified by *BW*) roughly one month after the investment date. **This time the date is 4 September 1992.** This too will be on the basis of the closing quotations of the BSE. The official list of the exchange will be the source for determining closing prices. Quotations published in newspapers, magazines or any other publication will not be accepted. In the event of there being any difference in the price quotations given by the contestant and the official list of the BSE, the investments will be deemed to have been made at the latter prices.

9. If the BSE is closed on the specified days, the closing quotations of the first subsequent trading day will be taken into account.

10. Any odd amount left uninvested in the notional portfolio will be assumed to have been deposited in a savings bank account earning an interest of 6% per annum.

11. Contestants will have the option either to invest the entire amount of Rs 1 lakh (or part thereof) in equity shares or in a savings bank account. (This is just in case investors think stock values will crash and that the money is better invested outside the stockmarkets.)

12. All entries should be accompanied by a coupon (given below) bearing the contest number and must reach the editorial office of *BW* not later than the date specified. **For Contest No 24, the last date for the receipt of entries is 18 August 1992.** Envelopes should be sent by ordinary post only and must carry the following on the outside in big bold letters: *BW* INVESTOR CONTEST NO 24 (or whatsoever the contest number is). The envelope must be addressed to: The Editor, *BusinessWorld*, 25-28, Atlanta, 209, Ceremonial Boulevard, Nariman Point, Bombay 400 021. **Each envelope should contain just one entry. Each person is entitled to only one prize.**

13. In case of a tie, the money will be divided equally among the winners.

14. For the purpose of this contest, it will be assumed that no brokerage is paid for the purchase of shares.

15. Contestants can send in any number of entries, but each of them must be accompanied by the relevant coupon.

16. The decision of the Editor, *BusinessWorld*, will be final in deciding any disputes vis-a-vis this competition, which will not be open to any employee of the Ananda Bazar group of publications.

Winners of INVESTOR CONTEST NO 18

FIRST PRIZE (Rs 2,500)
P.M. PARKAR
Parkar's portfolio appreciated to Rs 1,83,002.50

SECOND PRIZE (Rs 1,500)
BRIKH BHAN
Bhan's portfolio appreciated to Rs 1,74,752.50

THIRD PRIZE (Rs 1,000)
VARSHA P. ATHALYE
Athalye's portfolio appreciated to Rs 1,70,250

With trading coming to a halt on 11 June and not recommencing for nearly a fortnight after that, the last trading day — 10 June — was taken as the evaluation date. And for a change more scrips rose than fell. The share that stole the show was Regency Industries which appreciated 100%. All the winners backed that scrip. But Parkar's second choice (New Century Leasing — up 66.67%) helped him breast the tape first.

An erratum in the Bombay stock exchange's (BSE's) daily list misled many entrants, several of them who were lured by Core Labs' quote of Rs 50. The figure should have read as Rs 150.

In the issue dated 1-14 July 1992, we had said that the entries for Investor Contest No 23 would be evaluated on 4 September 1992. They will actually be evaluated on 21 August 1992.

INVESTOR CONTEST NO 24 — ENTRY FORM

Name of scrip	Price on 5 August 1992	Number of shares purchased	Total investment
Total money invested from Rs 1 lakh capital			

Name: _____

Address: _____

Rs. 5.87 CRORES NET PROFITS FROM ICDS LTD.

FINANCIAL RESULTS FOR THE SECOND HALF YEAR ENDED 31-3-1992

Particulars (Rs. in Crores)	Six months ended 31-3-1992	Comparative six months ended 31-3-1991	For the year ended 31-3-1992 (Audited)	For the year ended 31-3-1991 (Audited)
Income from Operations	20.16	14.83	**37.87**	26.91
Other Income	1.97	1.09	**3.38**	1.38
Total Expenditure	3.03	1.98	**5.25**	3.67
Interest	11.94	9.60	**22.89**	16.02
Gross Profit after Interest before Depreciation and Taxes	7.16	4.34	**13.11**	8.60
Depreciation	3.77	2.50	**7.07**	4.48
Provision for Taxation	0.07	–	**0.17**	–
Net Profit	3.32	1.84	**5.87**	4.12
Paid-up Equity Share Capital	7.10	5.00	**7.10**	5.00
Free Reserves	23.89	15.53	**23.89**	15.53

Note: The Company's 3 Star hotel costing Rs. 11 crores now under construction is expected to be opened in the Current year.

★ ICDS has received the dealership of OTCEI.

★ Company is planning to enter the mutual fund business. An asset management Company is on the anvil.

★ The Central Park – a three star 133 room executive hotel is getting ready for launch. The hotel will have referral arrangement with the Welcomgroup of Hotels.

★ Deposits of ICDS Ltd. as of 31st May, 1992 exceed Rs. 122 crores.

Industrial Credit & Development Syndicate Limited

REGD. OFFICE: SYNDICATE HOUSE, MANIPAL - 576 119

ICDS Ltd.—Carrying forward a tradition of trust

MANIPAL ADS/ICDS

VHEL: ALL CHARGED UP

It was written off as a non-starter right from inception. So much so that when Vikas Hybrids & Electronics Ltd (Vhel) approached the public with a 7 lakh share issue in October 1987, it was undersubscribed and the promoters had to fork out an additional sum to get the project going.

Today, however, Vhel managing director Jyoti Rajgarhia has proved the naysayers wrong. He has a prestigious technical collaboration with the international arm of Nippon Telegraph & Telephone (NTT) in his pocket besides being the undisputed market leader in his line of business, that is, hybrid microcircuits.

These are a miniaturisation of printed circuit boards (PCBs) which are used in a variety of electronic goods. Vhel's product is custom-made, varying with each buyer's requirement. To a large extent it is a cost-space improvement over traditional PCBs which were earlier imported in circuit form. Once Vhel entered the domestic market, it utilised its research division to do the circuitry and drawings as per specifications and gradually hooked a vast chunk of existing consumers. "Today, we have nearly 75% of the domestic market with us," claims Rajgarhia.



THE VHEL PLANT: *Expansion time*

The company has a tieup with Welwyn MicroCircuits of the UK and an annual installed capacity of 27.50 lakh square inches (lsi). In 1990-91, the company produced 28 lsi, while sales were 25.77 lsi. Its gross revenue for that financial year: Rs 8.12 crore. However, any corporate analyst tracking the progress of this company every half year would have been disappointed. Vhel sold Rs 2.17 crore for the first half of 1990-91 and Rs 5.95 crore for the second. For the first half of 1991-92, sales dropped to Rs 3.37 crore, confusing investors. These, however, shot up in the second half of 1991-92 to Rs 17.08 crore, sending its hesitant stock on Dalal Street soaring.

Rajgarhia explains this stop-and-start pattern in annual sales: "Our major buyer is the government which is generally low on purchases in the first half of the financial year. In fact, much of the offtake takes place towards the end of the financial year."

Curious feature. There is another curious feature of Vhel's results over the past four successive half-years. The company started out in 1990-91 with a pre-interest margin of 35% on gross sales. However, this dropped to around 15% for the first half of 1991-92 before recovering to a more respectable 21% for the second half. Rajgarhia analyses this profitability see-saw: "Our product mix in the second half was better and we were able to realise higher prices. Besides, in the first half we also suffered as a result of the devaluation which we neutralised later on. Added to all this, we brought down costs."

The company did well in managing its interest burden too. Interest costs were Rs 1.09 crore in 1990-91 and they more or less stayed put at that level (Rs 1.40 crore) in 1991-92. Besides, as a percentage of sales, this was actually a decline from 13.42 to 6.85%. The bottomline boomed as a result (the company has no tax liability). Check the last four half-yearly results: a loss of Rs 0.27 crore, Rs 1.19 crore, a loss of Rs 0.39 crore and Rs 2.40 crore. For the financial year 1991-92, Vhel finished with a net profit of Rs 2.01 crore on an equity capital of Rs 1.73 crore. The earning per share (EPS): Rs 11.62.

Rajgarhia feels that the company's performance graph can only move upward. He cites a reason: "The department of telecommunications (DoT) has proposed an outlay of Rs 40,000 crore in the eighth plan. Hence we are going to see a phenomenal increase in telecom infrastructure over the next few years. Vhel's business should also grow proportionately."

Rather than wait for DoT's enlarged patronage, Vhel has already embarked on its growth plans in serious earnest. Initially, it is integrating backwards by taking up the manufacture of transformers, used in hybrid microcircuits, in Bangalore. Project number two is line cards manufacture, which are also going to be captively consumed. To add to this, Vhel intends to double its installed capacity of microcircuits to 55 lsi by September this year.

The icing on Vhel's cake is its collaboration with NTT's international wing. Though details are sketchy, the feeling is that NTT will take over the installation and the operational side of the cellular business.

Vhel has embarked upon 1992-93 with an order book of Rs 35 crore. The management expects sales to touch Rs 40-45 crore by the time the financial year closes. Rajgarhia feels that operating profit margins should settle comfortably at 21% (recorded in the second half of 1991-92). This should register a pre-interest profit of Rs 8.5 crore approximately. Since the diversification and expansion programmes of the company may require fresh borrowings, the interest burden for 1992-93 cannot be precisely estimated. But Rajgarhia assures: "We should end the current financial year with nothing less than a Rs 4 crore net profit." This works out to an EPS of Rs 23 against a current market price which is fluctuating between Rs 150 and Rs 200.

□ Mudar Patherya

COMMENT

MANAGEMENT MYTHS

By S.V. KUMAR



The only ineluctable management law is Murphy's: "If anything can go wrong, it will"

There is apparently only one law governing laws: laws of the physical sciences are immutable and infallible; laws relating to the social sciences are just theories which survive only till time, human nature and contact with reality prove them wrong. Is the phrase "management law" an oxymoron like military intelligence, airline cuisine, Lebanese government and Indian incorruptibility?

Let's examine some management theories which, in their time, promised to reorganise the cosmos and reposition the planets.

■ **The trickle-down theory:** It was used by right-wing politicians to justify tax cuts on higher incomes and to generally support favours to the rich. The theory was that prosperity would seep down the apex of the income pyramid to the lower levels. Rebates and lower tax rates would stimulate saving and capital formation, which would fund industrial growth and thus promote employment!

Some trickle-down did occur — in unintended directions. Beneficiaries included discreet banks in the Cayman Islands, Panama and Zurich, Japanese producers of consumer electronics, and investment trusts in every developed country except the one where the money came from.

The governments involved overlooked two facts: that the really rich pay little taxes anyway, thanks to their tax lawyers, and that the middle class, which actually does the saving, couldn't afford to any more.

■ **Assembly line efficiency:** The credit for this theory goes to Frederick Winslow Taylor, the original sage of scientific management. He believed that the highest level of production efficiency could be reached by breaking up a task into its simplest parts and reassigning a worker a single function which he would perform without variation until he became perfect at it.

Ford Motor was the first to use the assembly line. The technique proved sensationally successful, ensuring speed and thus volume of output, improved quality, production efficiency and reduced costs.

The flip side was that the car worker's life was made devastatingly boring. The mindless repetitiveness, the tyranny of the inexorably moving line and a lack of pride in one's work reduced the employee to the level of the most sophisticated and least expensive machine on the factory floor. The reckoning was delayed till the fifties, when the workers struck work with unionised militancy, shabby quality and absenteeism.

The line theory thus failed over the long term because it ignored the fact that the worker demands the dignity of a human being, not the role of a paid robot.

■ **The organisation man:** This concept, which survived from the post-war years till the gung-ho eighties, denoted long-term corporate loyalty. The organisation man joined the company young, started at the bottom and climbed steadily up the executive totem pole. His career was planned, regulated and ordered on the basis of lifetime service and achievement for the firm. Thus could every recruit to General Motors (GM) aspire to be chairman or, at least, president.

Times, however, change and so do the concepts of corporate longevity and employee loyalty. Career planning is difficult, if not impossible, when a company is the target of a hostile takeover, a candidate for receivership, recruits external talent for its CEO slot — as Chrysler did first with Iacocca and now with Lutz (both from Ford) — or, like Microsoft, is owned by a 32-year-old Bill Gates who has no plans for early retirement.

In such discouraging scenarios, loyalty is replaced by deft footwork and a positive ongoing relationship with headhunting firms. Here lie the attributes of corporate advancement today — survival of the fattest.

■ **Advertising sells:** This theme has been propagated by Madison Avenue and its counterparts in Europe and Japan so vociferously that the advertising community has actually begun to believe it. True, there have been some highly creative campaigns like Bill Bernbach's "Think Small" and "Lemon" for the Volkswagen, which made the Beetle the US' bestselling import from the mid-fifties to the seventies.

It doesn't work always though. Consider: Italy enforces a total ban on tobacco advertising but cigarette sales increase 12% annually. The world's biggest chocolate producer Hershey, over 80 years old, never advertised till 1990.

Unilever's Lord Leverhulme sums it up rather succinctly: "I know half the money I spend on advertising is wasted — I just don't know which half."

The author is senior manager (corporate banking) at Standard Chartered Bank.

COMMENT



TRUMP: *He fell as fast as he rose*



GATES: *No plans for an early retirement*

■ **Sovereign risk is no risk:** Walter Wriston, once Citibank CEO, is responsible for this gem. In 1973 the avalanche of petrodollars descending on western banks called for profitable redeployment to new loan outlets. Wriston preached his credo: "Countries don't go belly-up. They can print all the money they need." Ergo: country-lending was safe.

In quick order over $3 trillion was lent. A no-hoper like Sudan got $10 billion, Ivory Coast $15 billion, Morocco and Algeria $21 billion each and Poland (though Communist) received $40 billion.

Then came the inevitable explosion when repayments fell due in 1982. The fatal flaw of the Wriston creed was now exposed. Countries can, and do, print all the money they want — but only their own. Foreign debt is generally denominated in dollars and these have to be earned by exports or invisibles.

What followed was a tragi-comedy in several acts. Debt rescheduling, rollovers, grant of fresh loans to pay interest on the old ones (thus escaping the auditors' "default" classification), debt-equity swaps, discounted debt auctions, debt forgiveness and, finally, trying to get the World Bank into the act.

■ **Leverage power theory:** Propounded by financial alchemists like Michael Milken, Bruce Wasserstein and the partners of Kohlberg, Kravis & Roberts (KKR), the principle was to gear up a small amount by borrowing vast tax-advantaged debt. This was used to buy out shares of a megacorp and load it with the predator's debt. Assets, subsidiaries etc would be hawked off, cash squeezed out, balance-sheet restructured and equity sold to the public. The takeover artists ended up repellently rich as they lined up their next target.

In the eighties the junk bond was acclaimed the most incandescent idea since paper money. Milken became a billionaire, KRR parlayed $60 billion and Wasserstein was paid $75 million for orchestrating a six-week takeover.

However, the law of gravity cannot be suspended forever. Shorn of their productive assets and staggering under loads of debt, the acquired companies were viable no more. Survival became a matter of chasing cash flow to meet debt servicing.

Such crisis cash flow management meant distress sales of assets, price-cutting, discounting and lower margins. Long-term strategy was ignored in the frenzy of short-term survival and the compulsion to meet the next loan/bond instalment. The victims of this syndrome: TWA, PanAm, Revlon, Nabisco and Bloomingdales.

■ **Real estate is recession-proof:** Mark Twain unwittingly sponsored this floater when he counselled: "Buy land — they aren't making any more of it." This was interpreted by some adventurous entrepreneurs and their easily-persuaded bankers to mean that real estate values would move only one way — up.

Realtors in Singapore, Hongkong, Tokyo, London and, of course, New York benefited gloriously from this bonanza. For a while. The best-known (and least-loved) of the tribe was Donald Trump; his Plaza, Tower and Taj Mahal, all modestly prefixed with his name, had banking syndicates standing in line to shovel out mega-loans. The more substantial, but less flamboyant, Reichmann brothers commanded such credit clout with their company Olympia & York (O&Y) that banks rejoiced in handing out billion-dollar loans without access to any financial statements.

And so it went — until the stockmarkets took a toss in 1987. The resulting recession inconveniently synchronised with an oversupply of urban office space. Result: catastrophe on an epic scale in real estate. Suddenly, occupancy rates in new metro buildings slipped to 40%. Unlike conventional industries, the construction sector cannot drop prices to increase sales as investment costs have to be amortised faster and, second, because leases are long-term lock-in deals with no quick prospect of revision to economic levels.

This Catch-22 scenario brought the receivers into action at both Trump and O&Y. These were billion-dollar disasters for the big international banks.

■ **Small is beautiful:** E.F. Schumacher's well-meaning ideology offered hope of growth for LDCs which were victims of exploitation, ecological rape and general corporate callousness. Lamentably, this hope was to be submerged in the old adage that God favours the big battalions. The small firm sinks with its first error. The megacorp shrugs off disasters. GM is still the biggest global auto maker though it has racked up $7 billion in losses in the past two years.

The *numero uno* has a disconcerting habit of remaining No 1, mediocrity notwithstanding. Avis is still No 2, however hard it tries. Pepsi trails Coke, no matter who blinked.

In sum, the only ineluctable management law is Murphy's: "If anything can go wrong, it will." Add its derivative: "And it will go wrong at precisely the time and manner which causes the maximum damage." And there you have it all.

TAXING SOFTWARE

By H.P. RANINA



The tax concession given to software exporters under s.80-HHE is intended to compensate for the comparative disadvantage they face in the international market

There's no dearth of trained manpower in the computer industry. And companies have made use of this talent pool to develop and export software. The income-tax department has inserted a new section — 80-HHE — in the Income-Tax Act (ITA) to provide fiscal incentives to software exporters. The section, similar to 80-HHC for commodity exports, is effective from the assessment year 1991-92.

Under the new provisions, profits from software exports will be eligible for deduction. The tax concession will be available for profits from software exports, not only through magnetic media or on paper but also through satellite data link and consultancy delivered at the location of the foreign client outside India. However, the deduction can be claimed only if export profits are received in or brought into India in convertible foreign exchange within six months of the end of the relevant financial year.

Currently, software imported in a physical form such as magnetic tape or disk is subjected to customs duty on the ground that what is imported is a commodity. At the same time, since software imports are generally made under licence from the foreign licensor, lumpsum payments made for using software are considered royalty payments under explanation 2 of the ITA's s.9(1)(vi) and taxed accordingly.

The ITA has therefore been amended to prevent this dual levy. Any lumpsum payment made for systems software supplied by a non-resident manufacturer along with the computer hardware will not be taxed. But these concessions will not be available for systems software not imported under an approved computer software export scheme or in cases where the software is supplied separately or independently of the computer hardware.

The present policy on software permits software imports in the open general licence (OGL) category by the actual users or manufacturers of software for stock and sale. The applicable rate of tax on royalty income, in cases where the recipient is a foreign company, is 30% if the royalty is received under an agreement approved by the central government. If this is not the case, the applicable rate of tax is 65%. These rates are applied to the gross amount of royalty and the taxpayer is not allowed to claim deduction for any expenses incurred in earning the royalty income.

Software can be imported by the actual users or manufacturers of software in India for stock and sale under OGL. Hence, s.115-A of the ITA has been amended to provide that the condition regarding approval by the central government of the relevant agreement for applying the lower rate of 30% will not apply in cases where the royalty payment is for software permitted to be imported under OGL in accordance with the import trade control policy of the central government.

It would now be appropriate to deal with some of the important provisions of s.80-HHC, which pertain to the export of goods, including processed minerals and ores.

One of the problems which arises is regarding a scheme evolved by the Reserve Bank of India (RBI) under which exporters are allowed to open a line of credit with a bank outside India. Payments for the purchase of raw materials are made from these accounts. The exporters, in such cases, are required to bring into India only such amount of foreign exchange as relates to the value addition. Since, under the scheme, the entire sales proceeds are not actually brought into India, exporters availing of this facility will be denied full deduction under s.80-HHC.

To remove this difficulty, an explanation has been inserted into the section. Under this, sales proceeds will be deemed to have been received in India, in cases where these are credited to a separate account maintained by the exporter.

The tax concession under s.80-HHC is intended to compensate an exporter for the comparative disadvantage faced by him in the international market. To ensure that the tax concession is not misused sub-section (3) of s.80-HHC has been amended.

The existing formula for calculating export profits gives a distorted figure when receipts like interest, commission etc which do not have the element of turnover are included in the profit and loss account. It has therefore been clarified that profits will not include such receipts.

Many exporters maintain branch offices, warehouses etc abroad. Exported goods are first sent to these branch offices and are then sold to foreign buyers. Doubts have been raised about the point of time when such goods should be treated as having been exported. An explanation has therefore been inserted in s.80-HHC clarifying that goods will be deemed to be exported out of India when they are transferred by an assessee to an overseas branch office.

There are several other contentious and knotty problems which exporters face. A complete overhaul of this provision is therefore imperative to make the law simpler and more equitable.

The author is a Bombay-based advocate.

OXALIC ACID PROJECTS

By P.V. SATYANARAYANA



With demand for oxalic acid growing, a number of companies are going in for the manufacture of this product

The author is a Bombay-based management consultant.

This article, a continuation of the series on new chemical projects under planning and implementation in India, will discuss oxalic acid and its salts. An oxalic acid project is a natural diversification for a sugar mill; the product is obtained by oxidising sugar with concentrated nitric acid in the presence of a catalyst. Oxalic acid finds application in the leather, chemical, rare earths, polishing chemicals and rust-remover industries. It has major use as a bleaching agent in the textile and leather industries. On the other hand, diethyl oxalate, a salt of oxalic acid, finds application as a solvent in the dye intermediates and plastics industries.

Excel Industries and its affiliate, Punjab Chemicals & Pharmaceuticals, account for most of the oxalic acid supplies in the country, though several small-scale units are also engaged in its production. The current installed capacity is estimated to be around 14,000 tonnes per annum (tpa) which is considered to be adequate to meet the existing requirements. However, demand for the product is growing. This has encouraged a number of companies to take up oxalic acid projects which are discussed below:

- Bhagyanagar Chemicals, a Hyderabad-based company, proposes to set up a facility at Solapur in Maharashtra to make 5,000 tpa of oxalic acid and 3,000 tpa of diethyl oxalate.
- Empee Sugars & Chemicals, which is currently setting up a sugar complex near Nellore in Andhra Pradesh, has announced plans for manufacturing a variety of chemicals as a downstream venture. This includes 8,000 tpa of oxalic acid and 3,000 tpa of diethyl oxalate.
- Excel Industries, a well-known manufacturer of pesticides, is proposing to raise the capacity of its oxalic acid plant at Bhavnagar in Gujarat to 4,600 tpa. A letter of intent (LoI) was secured in March 1991 for the scheme, which may take shape during the current year.
- Godwin Chemicals has mooted a proposal to set up a 900 tpa oxalic acid facility at Madhurantakam near Madras.
- Indian Oxalate is in the final stages of installing a Rs 2.2 crore 8,000 tpa oxalic acid plant at Lote Parshuram near Chiplun in Ratnagiri district of Maharashtra.
- Kanoria Chemicals, a manufacturer of formaldehyde, acetaldehyde and other chemicals, is planning to diversify. The company is working on a proposal to set up a facility at its complex at Renukoot in Sonebhadra district of Uttar Pradesh to manufacture 1,000 tpa of oxalic acid and 500 tpa of hydrazine hydrine. The Rs 3 crore project was in a preliminary stage of planning as of early 1992, and is likely to make progress during the course of the year.
- Krishna Plastochem, a manufacturer of plasticisers and esters, is taking steps to set up a 1,500 tpa oxalic acid project at Vapi in Valsad district of Gujarat. As of June 1992, the company had reportedly initiated work on the Rs 3 crore project. Completion is likely during 1993.
- Punjab Chemicals & Pharmaceuticals has plans to set up a 100% export-oriented unit (EOU) to make 30,000 tpa of oxalic acid and 10,000 tpa of diethyl oxalate. The company plans to establish a modern plant to convert sugar into oxalic acid at Nangal in Ropar district of Punjab. But progress towards the implementation of the Rs 30 crore project is slow.
- S.A. Chemtek, a Delhi-based company, has plans to set up an EOU to make 4,500 tpa of oxalic acid and 2,100 tpa of diethyl oxalate at Naya Nangal in Ropar district of Punjab. The company had secured the LoI in October 1990. During 1991, the company made efforts to secure suitable overseas technology. About 50% of the annual production is proposed to be exported. The company will be utilising agro-wastes in the project, which is estimated to cost around Rs 8 crore and may take concrete shape during the current year.
- SVR Chemicals is setting up a project to manufacture oxalic acid and diethyl oxalate at Chhatrapur in Ganjam district of Orissa. Production is expected to begin sometime during 1992.
- Sanjivani (Takli) Sahakari Sakhar Karkhana, a sugar cooperative and a manufacturer of oxalic acid, is to expand its capacity at Sahjanandnagar in Ahmednagar district of Maharashtra from 720 tpa to 3,000 tpa at a cost of about Rs 2 crore.
- Shree Satpuda Tapi Parisar Sahakari Sakhar Karkhana, a sugar cooperative, is in an advanced stage of establishing a facility at its complex near Dhule in Maharashtra to manufacture 600 tpa of oxalic acid and 300 tpa of diethyl oxalate.
- Sree Kailash Industrial Gases is diversifying into oxalic acid. The company has drawn up plans to establish a plant to make 15,000 tpa of oxalic acid and 6,000 tpa of diethyl oxalate in Khammam district of Andhra Pradesh. The LoI was secured in 1989. But the company has not made much headway in the implementation of the scheme.

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Russia's industrial bosses are slowing down the pace of Yeltsin's reforms.

MANAGERS OR DAMAGERS?

After six months of economic "shock therapy," Russia's industrial managers have found their political voice. Alarmed at the speed and direction of the government's economic reforms under president Boris Yeltsin, Russia's industrial managers are demanding a greater say in how the country is run.

So far Yeltsin has bravely backed the group of radical young reformers around Yegor Gaidar, whom he appointed prime minister on 15 June. He would prefer to brush the objections of the country's managers aside. After all, most of them got their jobs from the Communist Party. They are the elite of the dying system that Yeltsin is trying to replace. Unfortunately, because these managers still run most of the country's factories, he cannot afford to ignore them. Instead he is trying to appease them. He has appointed three new ministers from the managers' ranks, even while pushing forward with plans to dismantle state-owned industry through privatisation and other market-based reforms.

Boris Yeltsin cannot afford to ignore Russia's industrial managers because they run most of the country's factories

The most influential new minister is Vladimir Shumeiko, one of a group of new deputy prime ministers. A former factory manager in southern Russia and deputy chairman of Russia's fractious parliament, he is chairman of the Confederation of Unions of Entrepreneurs of Russia, the smaller of the two main groups representing Russia's state-industry bosses. Another new deputy premier is Georgy Khizha, former director of a defence factory in St Petersburg. Together the two men will run Russia's giant industry ministry. The third member of the troika, Viktor Chernomyrdin, is a former minister for the gas industry who opposes the freeing of energy prices, one of the key reforms pushed by Gaidar and his team.

Formidable figure. Behind these three men stands an even more formidable figure, Arkady Volsky, who heads the Union of Industrialists & Entrepreneurs of Russia, which represents managers in factories that produce two-thirds of Russia's industrial output. Despite the word "entrepreneur" in their organisations' titles, none of these men represents the thousands of genuine Russian entrepreneurs who have started businesses in the past six months. They are leaders of the old guard, the bosses of giant state enterprises, especially defence plants.

Volsky, a 60-year-old engineer, exemplifies the industrial elite which owed its status to the Communist Party and which has survived its demise. Once the party's commissar at the giant Likhachev car works in Moscow, which produces the Zil limousine, he went on to become economic adviser to three general secretaries (Andropov, Chernenko and, briefly, Mikhail Gorbachev) before being banished to the impossible job of running Nagorno Karabakh, the disputed Armenian enclave in Azerbaijan. After returning to Moscow, he assumed his present post and is now one of the most powerful men in Russia.

The industrial bosses whom Volsky represents have always been influential in Russia. But in the past they exercised their clout during negotiations over the government's five-year plans. Now they are using Russia's more open political system to get their views across. Many of Russia's parliamentary deputies, elected in 1990 when the Communist Party still controlled appointments at most factories, are managers of state enterprises. To get economic reform measures through parliament, Yeltsin has to win support from at least some of them.

Russia's managers have also joined forces with workers to slow the pace of reform. With the economy in turmoil, both managers and workers at state-owned enterprises feel threatened by the prospect of still more change. Volsky's organisation has links with the Union of Work Collectives, a trade union, and the two groups have founded their own party, called Renewal. When Volsky talks — or, more accurately, threatens — Yeltsin has to listen.

What state-industry bosses want is more government credit (in other words subsidy) and the delay of some reforms. It is easy to see why they are alarmed. Industrial output is now around 15% lower than it was in the middle of 1991. Within this total, metal-making is 22% down and output in industries that build machines for defence and agriculture (two areas where Volsky's support is strongest) has fallen by even more. These declines come on top of similarly large drops in production last year.

YELTSIN: *Appeasing the old guard*



Output would have fallen even faster if companies had not kept business going by extending enormous amounts of credit to each other.

Volsky argues that the fall in output is reaching a point from which no economy has ever recovered. To stave off collapse, he says, the government should switch to a "managed transition to the market." By that he means heavy subsidies for enterprises; a rise in the price of oil to world levels over three years, rather than a sudden freeing of prices as proposed by the reformers; and limits on foreign borrowing.

Some of these demands have been met. The government has promised an extra 200 billion roubles (Rs 6,720 crore) of cheap credit for industry, plus 120 billion roubles for the oil business. And it has postponed the freeing of energy prices, originally planned for April, by up to a year.

The government's concessions to the industrial managers have led to a confrontation with the International Monetary Fund (IMF), which is now trying to decide whether the $24 billion in aid which Russia has desperately sought can begin to be disbursed. The failure to free oil prices this year breaches a "memorandum of understanding" signed with the IMF in February.

Though the fund is right to be worried, Yeltsin's government has not abandoned reform, but slid a few steps back. The 320 billion roubles of extra subsidies it has agreed to give state industries will raise government spending by roughly 5% of gross national product (GNP). This will double the government's expected deficit for the second quarter of this year and is, by the standards of most countries, a suicidally large sum. But it is a far cry from what was demanded by industrialists in April. Gaidar calculates that their claims would have added 1.2 trillion roubles to spending, bringing the government deficit to 23% of GNP. Instead, the deficit was 1.5% in the first quarter and is now likely to be 10% in the second. Such figures may be tolerable for a while, especially as other reforms are going ahead. Its privatisation scheme has cleared the first parliamentary hurdle. (Anatoly Chubais, the reformist privatisation minister, has been promoted; he becomes yet another deputy prime minister.) And the rouble will be floated on 1 July.

Whenever parliament has tried to block key reforms, Yeltsin has acted with dispatch. After parliament had refused to pass a bankruptcy law, he issued one of his own by presidential decree, just before boarding the aeroplane to his summit meeting with Bush last month. Under the decree, enterprises that cannot resume service of their debts within three months will be declared bankrupt and sold by auction. If Yeltsin carries that through, no amount of subsidy is going to help Russia's recalcitrant state-industry bosses for much longer. — *The Economist.*

Eastern Germany's privatisation exercise is caught up in red tape.

SLOW & UNSTEADY

Small and medium-sized companies, collectively known as the Mittelstand, are the engine of western Germany's economy. No wonder, then, that many Germans are keen to create another version of this dynamo in the former East Germany. To further this goal, the Treuhandanstalt, the body charged with privatising state companies in eastern Germany is trying to find ways to speed up the privatisation of small firms in the east. And yet, despite its declared enthusiasm for small firms, the Treuhand's own bureaucracy has been the biggest stumbling block for west German entrepreneurs trying to win control of the many small enterprises still on its books.

The Treuhand seems to have little interest in dealing with western Germany's small businessmen

The Treuhand has already been attacked for doing too little to promote small business and concentrating instead on the sale of big firms. Wolfgang Kartte, head of Germany's cartel office, has complained twice since April that the Treuhand was failing to create a Mittelstand in the east.

Stung by this criticism, Birgit Breuel, the Treuhand boss, wrote to Kartte pointing out that the Treuhand had arranged more than 1,200 management buyouts in eastern Germany and claiming that it was keen to attract entrepreneurs from western Germany. In August the Treuhand plans to change some of the rules requiring competitive bids, which are more appropriate to big firms, in order to ease the sale of many of the 4,800 companies which it has left in its portfolio. Most of these are of Mittelstand size.



Little interest. Lower down the Treuhand's vast bureaucracy, however, there seems little interest in dealing with western Germany's small businessmen. A Treuhand advertising campaign this year, aimed at attracting western German managers keen to buy an eastern firm, seemed to have been a roaring success. It prompted 1,600 serious inquiries. The Treuhand quickly winnowed these down to 300 candidates with both the expertise and the money to buy and run a company. So far, though, it has not completed a single deal with any of these managers.

One frustrated official in the Treuhand unit set up in Berlin to deal with entrepreneurs and small companies lays most of the blame for this failure on other Treuhand officials. For a start, he says, they fail to provide individual bidders and small companies with enough information on the companies available. Then, when the west German entrepreneurs call up the Treuhand's regional offices for more information, they meet what he calls "unbelievingly high walls of resistance." *The Economist* has obtained copies of letters to the Treuhand from disgruntled west German entrepreneurs who complain that Treuhand officials have repeatedly failed to return telephone calls and that, when they do, officials know little about the companies they are selling.

The problem, says the Treuhand official in Berlin, is that the Treuhand's local offices are being pressed to sell east German enterprises as fast as possible. The easiest way to do this is to sell them to their existing managers, even though they may lack the skills and access to additional finance that will be needed if the firms are to succeed in the long term. Negotiating with west German bidders, who are more discriminating, is more difficult and takes longer.

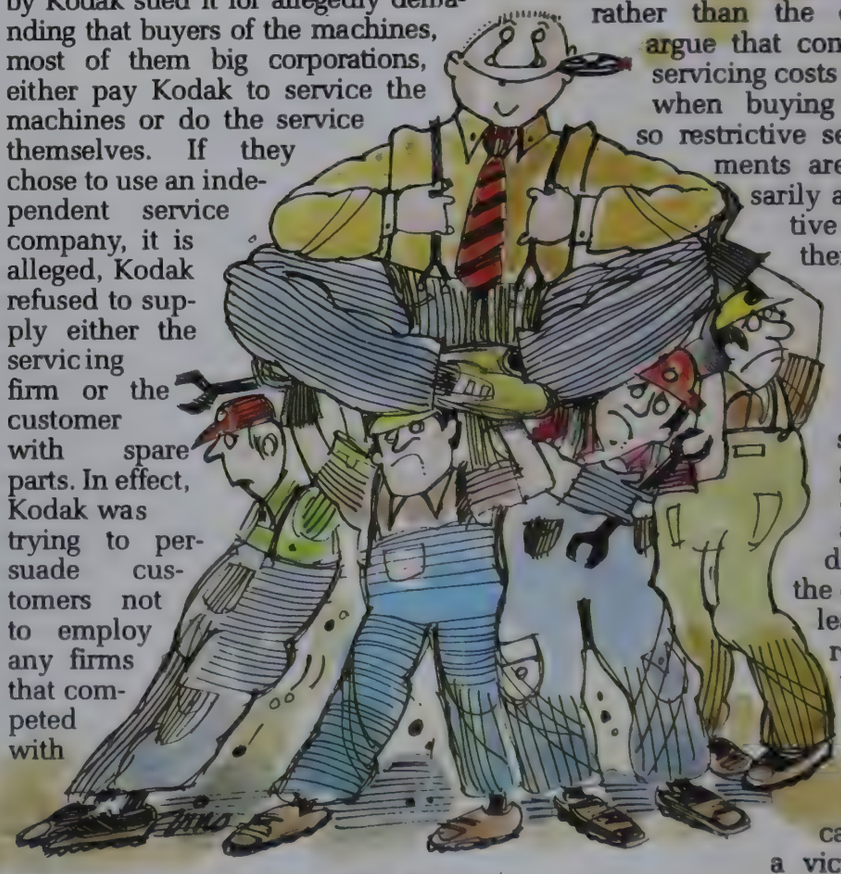
Does it really matter who buys? In privatising eastern Germany's industries, speed certainly counts. In that respect, the Treuhand's priorities make sense. But when so many experienced west German entrepreneurs and managers of small businesses are eager to bid for eastern firms, some small delay might be worthwhile. It would be a shame if, for the sake of administrative ease, Treuhand officials were passing up the chance to create an eastern Mittelstand. — *The Economist.*

The manufacturers vs service contractors battle in the US hots up.

A RAW DEAL?

Antitrust lawyers all over the US have been sent into a tizzy by a ruling in the supreme court. On 18 June the court ordered Eastman Kodak to stand trial in a competition case about the repair of expensive photocopiers. The ruling could lead to billions of dollars worth of lawsuits in many other industries. It has also thrown a spotlight on the increasingly hostile relationship in the US between manufacturing companies and firms that service and repair the manufactured goods.

In 1987 a group of 18 companies which service the photocopiers made by Kodak sued it for allegedly demanding that buyers of the machines, most of them big corporations, either pay Kodak to service the machines or do the service themselves. If they chose to use an independent service company, it is alleged, Kodak refused to supply either the servicing firm or the customer with spare parts. In effect, Kodak was trying to persuade customers not to employ any firms that competed with it for service contracts on the Kodak machines. Kodak pushed a San Francisco court to dismiss the suit on the grounds that, even if it had acted as the 18 plaintiffs alleged, it would not have broken federal antitrust law. The supreme court has reversed that ruling.



Kodak may yet win the case. However, in the initial legal tussle, the supreme court rejected Kodak's central claim: that, because it had only a quarter of the total market for the sale of such large, sophisticated photocopiers, its 90% share of the market for servicing its own machines was not anti-competitive. Many economists would side with Kodak, rather than the court. They argue that consumers take servicing costs into account when buying equipment; so restrictive service agreements are not necessarily anti-competitive as long as there is competition in the equipment market itself.

One dissenting judge, Antonin Scalia, has already predicted that the case will unleash "a torrent of litigation." Lawyers acting for the plaintiffs agree, but prefer to call the ruling a victory for the consumer, whose service bills will drop. The market for servicing hitech electronic products alone is worth roughly $100 billion a year. Thousands of independent contractors compete for the business, but the lion's share goes to equipment manufacturers.

The US' high job mobility and entrepreneurial traditions have encouraged many engineers in hitech industries to set up service firms of their own, often to the fury of their former employers

Roughly a quarter of the revenues of

US computer makers comes from servicing and maintaining the machines they sell. Profit margins on service contracts can be as high as 50%. That comes in handy when profit margins on the sale of computers are disappearing because of recurring price wars. More than 20 computer makers, including Digital Equipment and Hewlett Packard, filed "amicus briefs" with the supreme court supporting Kodak; independent dealers predictably filed briefs supporting the plaintiffs.

Other industries may also be affected. Detroit's car makers also backed Kodak. In 1990 the retail market for car parts was worth $150 billion, about the same as that for new cars. Servicing cars came to another $100 billion on top of that. Detroit used to be happy to leave the repair business to mom-and-pop garages. No longer. Many independent distributors of spare parts complain that the big car makers are muscling in on their business.

Big manufacturers in Japan and Germany service nearly all their own products. But the US' high job mobility and entrepreneurial traditions have encouraged many engineers in hitech industries to set up service firms of their own, often to the fury of their former employers.

Not all manufacturers are keen on the repair and service business. Makers of cheaper electronic goods, such as washing machines, televisions and video-recorders, find it cheaper and easier to replace faulty machines with new ones, or encourage customers to buy a new model, than to bother with spare parts. But many US states require that manufacturers honour warranties on anything they sell. To satisfy the law they have appointed dealers and service agents. And yet, because the manufacturers of electronic goods now view many of their products as disposable, they are in direct conflict with the dealers who have to provide service under those warranties.

California's State Electronics Association recently filed a $600 million class-action suit against 34 of the world's biggest consumer electronics firms. It alleged that the firms fail to compensate dealers properly for warranty work on household items and that they overcharge for spare parts. One Los Angeles-based dealer calculated that the cost of ordering the 20 most important parts of a $300 Japanese television from its manufacturer was more than $800. Groups of dealers in Connecticut, Massachusetts and New York are also grumbling. The battle between those who make things and those who repair and service them has only just begun. — *The Economist.*

Japanese investment in the US is slowing down.

SEEKING BETTER CLIMES

Inward investment in the US, a big issue during the 1988 presidential campaign, has receded from view this time around. The reason: foreign investment in the US, especially from Japan, plummeted last year. Coming at a time when the US congress as well as the public are pondering whether and to what extent they want to see the Japanese buy a bigger piece of the US, the deflated investment figures may soften US attitudes towards Japanese activities here.

The latest statistics confirm that new foreign investment in US companies and real estate fell by 66% in 1991, with outlays by the Japanese — the biggest foreign investors since 1990 — dropping by an even more dramatic 75%.

Japanese investment may have been lured away by attractive investment climates in Europe, east Asia and possibly Latin America

The US commerce department says business acquired or established by foreigners and real estate purchased by them is $22.6 billion (Rs 63,280 crore) in 1991, compared with $65.9 billion in 1990. Direct investment from Japan last year amounted to just $5 billion, down sharply from $19.9 billion a year earlier.

According to the commerce department, the weak US economy and reduced availability of bank capital for mergers and acquisitions are contributing to the investment slump. On the Japanese side, investors have obviously been constrained by reduced profits, weak stock and property prices and the higher cost of capital in Japan. Japanese investment may also have been lured away by attractive investment climates in Europe, east Asia and possibly Latin America.

Furthermore, the backlash in the US against the flood of Japanese investment may be marginally contributing to this diversion of capital, say Japanese



experts. Some Japanese investors complain they are being harassed, pointing to allegations that they are cheating on US taxes (by moving profits offshore, notably to Asia, through the use of transfer pricing), circumventing local-content regulations under the US-Canada free-trade agreement or trying to buy up the remaining gems among US high-technology companies.

Less margins. But the main reason Japanese investment in the US has slowed is that Japanese companies here are not profitable. According to the latest figures from Japan's ministry of international trade and industry (Miti), operating-profit margins of Japanese-owned ventures grew from 2% in fiscal 1989 to 3% in fiscal 1990 in Asia and from 0.8% to 1% in Europe, but fell from 0.5% to minus 0.1% in north America. More strikingly, while profit margins of Japanese manufacturing ventures were growing from 3.8% to 5% in Asia, and from 2.3% to 3.2% in Europe, they were falling from 0.2% to minus 0.9% in north America, Miti says.

With the US recovery weak, Japanese investment in the US is likely to remain sluggish, as the latest Japanese ministry of finance figures suggest. These approval-basis figures show that in the year ended March 1992, overall Japanese direct investment approvals dropped 27% to $41.6 billion, while approvals for investment in the US fell by 31% to $18 billion. In contrast, the ministry indicates that foreign investment into Japan jumped 56% to $4 billion, with the US doubling its investment into Japan to $1.2 billion.

On 9 June, sponsors of a wide-ranging anti-Japan trade bill in congress withdrew a key provision restricting sales of Japanese-brand cars in the US, including those manufactured by Japanese transplants in the US. The sponsors conceded that rejection of national treatment for the Japanese transplants could hurt the American workers employed by them.

On 11 June, major league baseball owners approved the controversial sale of the Seattle Mariners baseball team (at about $100 million) to a Japanese-led investment group led by Nintendo. One condition was that Nintendo should limit its stake and that actual control of the team remain in American hands. — *Far Eastern Economic Review.*

An IMF loan to Pakistan has been put on hold.

FINANCIAL MUDDLE

The International Monetary Fund (IMF) has delayed consideration of a $1 billion (Rs 2,800 crore) loan to Pakistan following an inspection team's visit to Islamabad in the first week of June. At the end of its visit, the team questioned the accuracy of key economic data, particularly the government's estimate of its budget deficit. Without assurances from Islamabad that it can meet economic targets, the IMF is not expected to release the loan.

Islamabad's handling of its finances is veering seriously off-track

Team leader Shakoor Shalan says the officials will return to reassess the situation in three months' time. He has also asked the government to resubmit macroeconomic data for the year ended on 30 June, as well as budgetary figures for the coming fiscal year.

The team's scepticism is thought to reflect IMF concern that Islamabad's handling of its finances is veering seriously off-track. Pakistan pledged to the IMF last year that it would keep its budget deficit at 4.8% of gross domestic product (GDP). But in April, finance minister Sartaj Aziz told aid donors that the shortfall would be about 6.1% of GDP by the end of June. In May, he told parliament it would hit 6.5% (Pakistan has rejected a World Bank assessment that it would go as high as 9%).

Spending plans for 1992-93, announced on 14 May, envisage outlays of Rs 285 billion (Rs 31,920 crore), supported by Rs 140 billion in domestic borrowings and Rs 50 billion in foreign lending. These debt levels could prove doubly onerous because of high interest rates. Last year, the government consumed Rs 120 billion in loans raised through treasury bonds and federal investment bonds, both paying 15% interest. The fear is that debt servicing costs in 1993-94 could rise as high as Rs 125 billion.

Huge defence loots. The Asian Development Bank (ADB), too, has expressed concern at Islamabad's high government spending. The Manila-based bank has pointed out that Pakistan is spending 7% of GDP on defence alone — a figure the ADB says is the highest among its members.

Meanwhile, the IMF is also unhappy at Aziz's decision to roll back some taxes he had proposed in his budget statement for the coming year. The changes were forced on Aziz in order to get the budget through parliament, but could cost Rs 1.5 billion a year in lost revenue.

Independent economists believe it will be hard for Islamabad to meet the conditions that the IMF is likely to lay down as the cost of granting the $1 billion loan. The most important of these is the budget deficit-to-GDP ratio. Given the fiscal indiscipline that pervades Pakistani ministries, there is little hope that the political tendency to commit large funds to off-budget projects can be curbed quickly.

The government is still pinning its hopes on winning agreement from the World Bank to meet a substantial part of its foreign-exchange requirements for 1992-93. But if the World Bank does not oblige, Pakistan would need the IMF loan quickly to pay off its short-term debts. — *Far Eastern Economic Review.*

A PAK ARMY PATROL: *Mounting expenses*



NEWS BRIEFS

■ In what could be Indonesia's largest-ever corporate transaction, the powerful **Salim group** has plans to inject key foodprocessing businesses into its publicly-listed PT **Indocement** Tunggal Prakarsa unit, says *The Asian Wall Street Journal*.

Indocement will undergo a total transition and will occupy a prominent place on the Jakarta stock exchange once its proposed purchase of Salim group assets worth about $848.1 million (Rs 2,417 crore), is completed. The company currently dominates the country's cement industry, accounting for 52% of the total production capacity. And with the proposed purchase, it will become an "unsurpassable leader" in the food business too, says a Jakarta-based securities analyst.

■ The US will assist the Russians in building a **banking system** practically from scratch, a necessary step towards establishing a market-driven economy. The Federal Reserve Board plans to join officials from the Russian Federation to set up the Russian-American Bankers Forum, which will advise the Russian government on building a western-style banking and financial system.

■ The **National Power Co** of Iceland has commissioned Pirelli Cables, the UK subsidiary of the Italian cables and tyres group, to examine the possibility of laying an undersea power link to the UK. The 1,000 km cable, almost five times longer than any existing underwater power link, could pose a new technological challenge to the cable-laying industry.

■ Transport ministers of the European Commission have agreed to a radical "**open skies**" programme which removes government restrictions on air travel within the European Community (EC). The move might force airlines to cut air fares. This will lead to greater competition as all EC airlines gain access to routes previously dominated by national flag carriers.

■ German luxury car maker **BMW** is making a foray into the US. The company will be the first German car maker to build a full-scale production plant in another country since Volkswagen closed its loss-making unit in Pennsylvania four years ago. The estimated $637 million plant in south Carolina is expected to go on stream by 1996.

■ The Venezuelan government has opened the country's **oil industry** to private investment for the first time since it was nationalised in 1976. Five oil companies — Royal Dutch Shell of the UK, Teikoku Oil of Japan, Benton Oil & Gas of the US and two Venezuelan companies, Vincler and Lingoteras — have won bids to develop five groups of inactive fields. They are due to invest $480 million in the oilfields by 1996 and a total of $720 million over the next decade.

■ Paul Reichmann, chief executive of the debt-ridden Canadian company **Olympia & York Developments**, is in trouble. Reichmann moved assets worth several hundred million dollars from Olympia, which is under court protection, into private family companies during the past 18 months, says *Financial Times*.

REICHMANN: *Siphoning off assets*



■ Russian president Boris Yelstin is trying to persuade the leaders of the group of seven (G7) industrialised countries to press the International Monetary Fund (**IMF**) to treat Russia as a special case. This will give Russia access to $24 billion in aid even though its economic reform programme doesn't strictly conform to conditions laid down by the IMF.

Yeltsin has been trying to plead that the transition to democracy and free market has not been easy because of the effects of communism.

■ The state of the Brazilian economy has set the member nations of **Mercosur**, the proposed customs union formed by Argentina, Brazil, Paraguay and Uruguay, wondering whether it will be able to meet its ambitious targets. Under the March 1991 Treaty of Asuncion, under which Mercosur was formed, member countries began to cut tariffs as the first stage of a step-by-step reduction of all internal tariff barriers towards creating a common market.

Argentina has, however, voiced fears that the unstable Brazilian economy — well over five times the size of the other three members — which has lately seen sharp fluctuations in exchange rates, amplified by the abolition of tariffs, might spill over to the detriment of its partners.

■ The United Nations Development Programme (**UNDP**) raised pledges worth $880 million, far exceeding expectations of $600 million, for the reconstruction of **Cambodia** at a Tokyo conference attended by 33 nations, the EC and 12 international organisations.

■ **Nestle** is planning to bolster its presence in China. The Swiss food manufacturer will pay $194 million for a 51% controlling stake of the manufacturing assets in Hongkong and southern China of Dairy Farm International, the Hongkong-based international food retailer.

The two companies plan to establish a joint venture to make and distribute ice cream and chilled products, such as milk and yoghurt, in Hongkong and China.

PICK OF THE JOBS

VICE-PRESIDENTS

Organisation: A Rs 100 crore reputed service organisation.
Requirements: A CA/MBA (finance); 35-45 years; 15 years' experience, out of which the past five years should have been spent in a senior management position.
Other details: Will be based at Bombay; will be responsible for the financial operations of the company, including financial accounting, working capital management, budgeting, management information systems and taxation; will be required to monitor financial operations across the various divisions of the group to enforce strict accounting discipline; will report to the chairman and managing director.
Remuneration: In the region of Rs 2.5 lakh a year.
Enquiries to: Boyden International, 616 Maker Chambers V, Nariman Point, Bombay 400 021. Tel: 233905, 240377, 2047428.



VICE-PRESIDENT — MARKETING

Organisation: A large and fast-expanding engineering company.
Requirements: An engineering graduate, preferably an MBA; 35-45 years; around 10-15 years' experience in selling large-value industrial materials to original equipment manufacturers.
Other details: Will be based at Bombay; will be responsible for formulating sales policies and building up the division to independently achieve sales of approximately Rs 200 crore.
Remuneration: Around Rs 4 lakh per annum.
Enquiries to: Boyden International.

MANAGER — OPERATIONS

Organisation: A multinational bank.
Requirements: An MBA/CA/CAIIB; around 40 years; sound exposure to banking operations/credit; with good leadership skills.
Other details: Will be based at Delhi.
Remuneration: Over Rs 2.5 lakh per annum.
Enquiries to: Personnel Resources, 5th floor, Pine Mansion, 29 Police Court Lane, Fort, Bombay 400 001. Tel: 2610078.

MANAGER — FINANCE

Organisation: A multinational bank.
Requirements: Around 32 years; relevant experience in a multinational/public sector bank.
Other details: Will be based at Madras.
Remuneration: Rs 2 lakh upwards.
Enquiries to: Personnel Resources.

PRESIDENT — CEMENT

Organisation: A reputed Indian group promoted by non-resident Indians and technocrats.
Requirements: A top-notch professional from the cement industry.
Other details: Will be based at the group's headquarters in Bombay.
Remuneration: The best.
Enquiries to: The Concept, 67 White Hall, 143 August Kranti Marg, Bombay 400 036. Tel: 3674422/23.

VICE-PRESIDENT — MANUFACTURING

Organisation: A large automobile company with a world-class collaboration.
Requirements: Around 50 years; with an outstanding record in manufacturing in an automobile engineering company.
Other details: Will head the entire manufacturing setup in Bombay, from forge and foundry to technical and engineering services relating to production.
Remuneration: No constraint.
Enquiries to: Jonzehn Services, PB No 9891, Bombay 400 050. Tel: 6420387.

PROJECT HEAD

Organisation: A low-profile multinational company, planning to grow fast.
Requirements: A management graduate from a reputed institute with a finance background; knowledge of pharmaceuticals/chemicals and allied industries; around 35 years.
Other details: Will have to work with the managing director in India and project team of the parent organisation to locate, plan and execute new projects; will be based at Bombay.
Remuneration: Negotiable.
Enquiries to: Jonzehn Services.

PRODUCTION PLANNING CONTROLLER



Organisation: A medium-sized engineering unit.
Requirements: An engineer with five-seven years' experience in gear technology; 30-35 years.
Other details: Will be based at Bombay.
Remuneration: Over Rs 1 lakh a year with liberal perks.
Enquiries to: Beam Services, 1 Colaba Chambers, 117 Wodehouse Road, Bombay 400 005. Tel: 2150122.

SENIOR MANAGERS



Organisation: A non-resident Indian plastics company manufacturing industrial adhesive tapes.
Requirements: A PhD in polymer technology with relevant experience.
Other details: Will be based at Bombay.
Remuneration: Over Rs 2 lakh per annum.
Enquiries to: Beam Services.

FINANCE MANAGER



Organisation: A large steel manufacturing group.
Requirements: A CA/MBA (finance); five-seven years' sound track record; an expert in Fera (Foreign Exchange Regulation Act) trouble-shooting.
Other details: Will be based at Bombay.
Remuneration: Between Rs 1-1.5 lakh per annum.
Enquiries to: Beam Services.

PRESIDENT



Organisation: A reputed group manufacturing sanitaryware with an annual sales turnover of Rs 80 crore, going in for an expansion.
Requirements: A degree in mechanical engineering, preferably ceramic engineering; 10-15 years' experience, out of which 7-10 years should have been spent in a senior position in a reputed company, preferably in a ceramic engineering company.
Other details: Will be based in the south.
Remuneration: Attractive salary; house, chauffeur-driven car.
Enquiries to: Career Placement Services, PB No 8148, Bombay 400 051.

CHIEF EXECUTIVE



Organisation: A Rs 100 crore professionally-managed company diversifying into engineering products with foreign collaboration.
Requirements: A degree in mechanical/electrical engineering; 40-45 years; 10-15 years' experience in handling projects, production, materials and some exposure to marketing; 7-10 years should have been spent in a senior position.
Other details: Will be based at Madras; will initially handle projects and after completion become chief executive of the unit.
Remuneration: Very attractive; car, house.
Enquiries to: Career Placement Services.

OVERSEAS

EXECUTIVES

Organisation: An automobile component manufacturer needs marketing, sales and distribution executives.
Requirements: A graduate; 25-30 years; four-seven years' experience in companies making automobile components; should have worked in the head office in formulating the marketing strategy and also in the branches or in the field where he has implemented these strategies.
Other details: Will be based in Saudi Arabia and report to the assistant general manager.
Remuneration: Extremely attractive; house, car.
Enquiries to: Boyden International.

SALES ENGINEERS/MANAGERS

Organisation: A major US joint stock company engaged in diverse business activities.
Requirements: Chemical engineers with five-seven years' experience in selling pump units related to oilfields and accessories; ability to negotiate with vendors and identify suppliers; mechanical engineers with five-seven years' experience in selling industrial product packaging tools and consumables.
Other details: Will be based in Bahrain; will be involved in selling chemicals, mechanical sealing devices and anti-abrasive polymer compositions.
Remuneration: Very attractive; wide-ranging perks.
Enquiries to: Personnel Resources.

GENERAL MANAGERS

Organisation: A large multi-dimensional, well-diversified group.
Requirements: Senior management personnel with considerable overseas experience.
Other details: Will be based in the US, Germany, France and West Asia respectively to look after the overseas offices there.
Remuneration: Very attractive.
Enquiries to: The Concept.

HOSPITAL ADMINISTRATOR

Organisation: A leading hospital in the Gulf.
Requirements: A qualified doctor.
Other details: Will be based in the Gulf.
Remuneration: Over Rs 50,000 per month; house, car.
Enquiries to: Beam Services.

□ Indra Gidwani

THE ASSOCIATION MAN

By WALTER E. VIEIRA



It is far more practical to be a member of a handful of associations, and be active in these, than maintain a tenuous relationship with many

The author is a Bombay-based management consultant

There are two kinds of pressures on today's executive, which did not exist, perhaps even 20 years ago. Both can sap a considerable amount of energy and time leaving less of the same for more productive pursuits. The first comes from the mass of written matter that is targeted at the executive — daily newspapers, supplements to newspapers; financial papers and supplements to them; local and international business magazines; technical journals; professional journals; management magazines — the list goes on.

The other pressure comes from one's membership of associations. My friend Kelkar was telling me that all those who hail from his village in Goa, and live in Bombay, have an association that organises social functions perhaps two or three times a year so that families can meet each other. They also institute scholarships for poor children from the village or for those with outstanding merit.

There is also a larger association called the Konkan Association where all the members are Konkani-speaking people. Its objectives and activities are almost the same as those of the village associations.

Kelkar is also a member of the Ex-Students' Association of his school; and some ex-students who wanted to remain in closer touch with one another promoted a subgroup called the 'The Class of 72.' He is also a member of the St Xavier's College Alumnus Association where he was a student before he went on to IIT. Needless to say, he is also a member of the IIT Alumnus Association. And since he got an MBA at the Xavier Labour Relations Institute (XLRI), he is also a member of the XLRI Alumnus Association.

That's not all. Kelkar is a member of the Institute of Engineers and of the Bombay Management Association (BMA) and, in turn, of the All India Management Association (AIMA). Since he is in sales management he also joined the Indian Society for Training & Development (ISTD) and the Institute of Sales Management of the UK.

All this is of course in addition to the club he joined, where he plays tennis; and his Time & Talents Club membership, which he values because of his great interest in western music.

Kelkar is also a Rotarian in Bombay and is currently helping to set up the Rotary medical centre at Worli. He has also been elected to the board of directors and serves on the district committee for the Polio Plus Programme.

Now if Kelkar were to make up his mind to attend every meeting or function organised by every association he is a member of, he would probably have at least one meeting to attend every two days — leaving very little time for anything else. This no doubt causes a strain on Kelkar's management of time.

The association fever is also causing financial problems for Kelkar. There are annual fees to be paid. And this works out to a substantial amount at the beginning of every year. Then there are the special requests for donations, tickets to various functions and attendance at special get-togethers. And the tradition followed at his Rotary Club — where he has to donate to the Polio Plus campaign and for child adoption on his birthday, on his wife's birthday and on their wedding anniversary — puts a considerable strain on his finances.

There is also the problem of journals. There is the *Bulletin*, a quarterly which gives Konkan news. There is BMA's monthly journal *Ambit* and the journal called *Indian Management* of the AIMA. There is the monthly ISTD journal; and the Rotary weekly newsletter and the monthly *Rotarian*. There is the *College Annual Alumnus Journal*; and piles of notices of programmes being conducted by the BMA and the ISTD every month and, sometimes, every week. All this puts a considerable strain on Kelkar's ability to read and find the time to attend some of these programmes.

FINANCIAL ASSISTANCE

And many of these bulletins and journals need some financial assistance. The stream of requests never seems to end. They need advertisements. Can Kelkar manage to get some ads released from his company or from friends at other companies? Can he manage to get at least four pages for the whole year? This can even put a strain on his relationships with his friends in other companies; friends who are generally in similar straits themselves.

Like many executives Kelkar is in a dilemma. How does he rationalise his membership of associations so that he gains from them? A possible solution: each one has to decide what is important for oneself, what will benefit one the most professionally, socially, or both. One must then pick out a few associations and really be active in these, rather than maintain a tenuous relationship with many. Only then will people like Kelkar be able to lead contended executive lives.

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VBM 03



T.P. Singh has been promoted to executive assistant manager (food & beverage) of Oberoi Hotels, Bombay.



K.R. Vij has taken over as general manager of Chittaranjan Locomotive Works.



D. Chakraborty has assumed charge as general manager (projects) of Indian Oil Corp's pipeline head office, New Delhi.



Satish K. Khosla has been elected honorary secretary of the Computer Society of India for 1992-93 and 1993-94.



Anal K. Jain has joined Tata Information Systems as vice-president (marketing).



Mohan B. Rao has joined the Datamatics group of companies as general manager (corporate planning).



M. Basu has been appointed general manager (mines) of Hindustan Copper's Khetri copper complex.



Shyamal Sen has been appointed a member of the Company Law Advisory Committee.



V.D. Ingle has taken over as general manager (works) of Hindustan Ferodo.



K.R. Bharat has been appointed head of Citibank's corporate finance division.

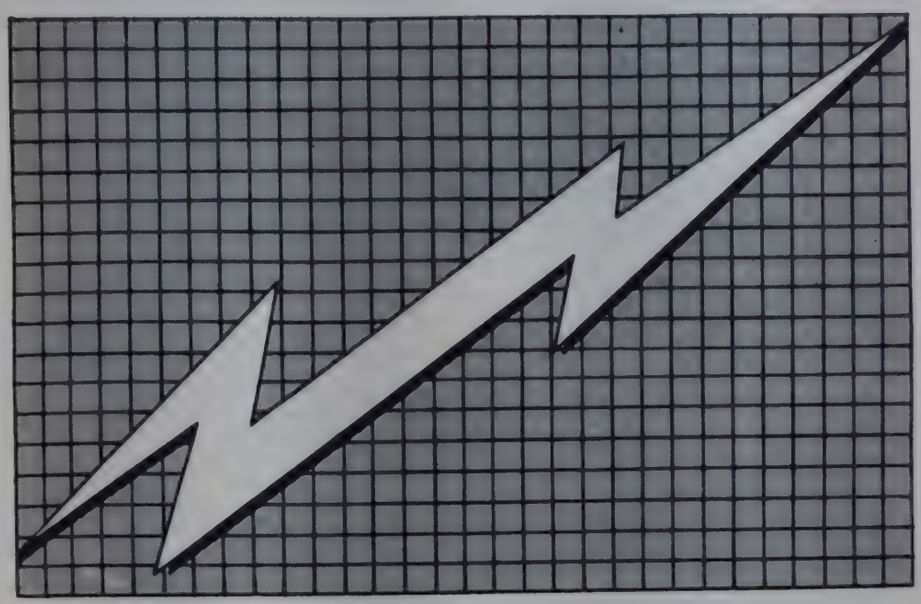


R.P. Shroff has taken over as secretary of Hindustan Ferodo.



M.A. Hakeem has taken over as secretary general of the Standing Conference of Public Enterprises.

POWER. PERFORMANCE. PROFITS.



ISSUE HIGHLIGHTS

- **Short gestation period for the proposed modernisation and diversification project. Commercial production from October, 1992.**
- **Vast expanding market.**
- **Key Promoter - Mr. Deepak Bhojani, recipient of "Udyog Vibhushan Award" for Excellence in Industrial Productivity.**
- **No financial assistance has been taken from the Bank which appraised the project.**
- **Tax concessions under Section 80M, 80L and Wealth Tax Benefits.**
- **Backward area concessions.**
- **Easy liquidity - listing at Madras, Bangalore, Bombay and Ahmedabad Stock Exchanges.**

RISK FACTORS

- **The total cost of the project is subject to variations due to cost overrun.**
- **Though the demand and supply gap in the Indian market is encouraging at present, any fall in market or any further competition from other manufacturers could affect the future profitability of the Company.**
- **The Company will be affected as much as the industry is influenced by Government policies and trade cycles.**
- **The Company is yet to obtain consent from Pollution Control Board for its modernisation and diversification project.**

If the Company does not receive the minimum subscription of 90% of the issued amount, the entire subscription will be refunded to the applicants within 90 days from closure of this issue. If there is a delay in refund of such amount by more than 8 days the Company will pay interest at the rate of 15% per annum for the delayed period.

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World Trade Centre
FKCCI Building
K G Road Bangalore - 560 009

FAIRGROWTH FINANCIAL SERVICES LIMITED
MERCHANT BANKING DIVISION
22/11, Vittal Mallaya Road
Bangalore - 560 001

CO-MANAGERS TO THE ISSUE

ANDHRABANK FINANCIAL SERVICES LTD.,
66/1 & 2, J.C. Road, Bangalore - 560 002.

Sobhagya/DDP/980

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Experience : 2 to 4 years in direct selling.
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Sales Executives : (Code CSE)
Experience : 1 year in sales (not essential)
Current Earnings : Not applicable.

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(Mark your envelope and application with the code and the city for the post applied)

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STP has a joint venture for large pipecoating contracts with Compression Coat Inc, USA, and Socotherm, Italy, for onshore and offshore jobs. A joint sector project in Nigeria is being planned.

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Metro cities

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Product Managers

Metro cities

You will be responsible for raising and consolidating market share. Your products, their range and rank will be measures of your performance; and an indication of your contribution to STP's standing, growth and profits.

You are a civil, chemical or mechanical engineer, a wellrounded marketing professional, about 35 years old, with 10 to 12 years' experience. Management education is an advantage.

Candidates without the required experience will be considered for the positions of Product Executive and Assistant Product Executive.

Positions carry attractive compensation packages including residential accommodation.

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FOR

Telco

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Telco's Product Development Centre at Jamshedpur is engaged in the design and development of medium and heavy commercial vehicles and functions under the overall guidance of the Company's Engineering Research Centre in Pune. The Centre is equipped with state-of-the-art, on-line computer-aided design facilities and has a sound infrastructure for the development and testing of products and aggregates. To cater to the Company's growth and diversification plans, a further strengthening of the Product Development Centre is necessary.

The responsibilities: Telco seeks to induct a dynamic, result-oriented person to head the Product Development Centre and build an effective team of engineers who will design and test some of the Company's growing range of commercial vehicles and aggregates. The selected candidate will mould the creative output of his team to develop products which meet market needs and Telco's own exacting specifications.

The requirements: A person who can make a contribution in this position will have a degree in Mechanical/Automobile Engineering preferably with post-graduate qualifications in design. He will have around 20 years of achievement in designing automobiles. Apart from being thoroughly conversant with the latest technology, he will be able to build a climate where innovativeness and team work are encouraged. He will also have the vision and the ability to translate themes into reality and will take satisfaction in seeing his concepts acquire physical shape in the Company's reputed range of automobiles.

Those with experience in computer-aided design as also a flair for product styling and aesthetics will have an added advantage.

The remuneration: In addition to an attractive compensation package, the Company will provide liberal perks like accommodation, leave travel assistance and free medical benefits for the employee and his family.

Those interested should apply with full career details within 15 days to:

The Assistant General Manager
(Management Development)
Tata Engineering and Locomotive Co. Ltd.
Jamshedpur 831 010

Chaitra-B T 1358/92

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TCS needs top flight Project Managers for leading a team of software professionals on consultancy assignments. Candidate should be a graduate or post-graduate in engineering with a minimum of 7 years' experience in systems analysis and design and exposure to RDBMS. He should possess excellent communication skills and should have headed various software projects. Openings exist at TCS offices all over India.

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TCS requires Marketing Executives to be based all over India. They will be responsible for selling software solutions to diverse industries. Openings exist at two levels:

1. Candidate should be a graduate in engineering or an MBA. He should have at least 7 years' experience in software design and development and marketing of software projects, preferably in a manufacturing or consultancy environment.

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Driven by ambition? TCS is the place for you. Send in your resumé quoting 'SPM-92' for Software Project Managers and 'ME-92' for Marketing Executives, within 10 days, to:

The Resident Manager –
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Tel: 209415/280744

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The ideal candidate would be a graduate, around 35, aggressive and result-oriented. Remuneration package will match the best in the industry.

Write in confidence with bio-data within 15 days to:

General Manager
Ananda Bazar Patrika Limited,
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Calcutta-700 001.

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We are the manufacturers of USHA brand sewing machines, fans, fuel injection equipment, electrical stampings etc. having plants at Calcutta, Hyderabad and Agra, and Corporate Headquarters at Delhi.

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- **Administration/Legal**
- **Marketing**
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FARIDABAD-121003.

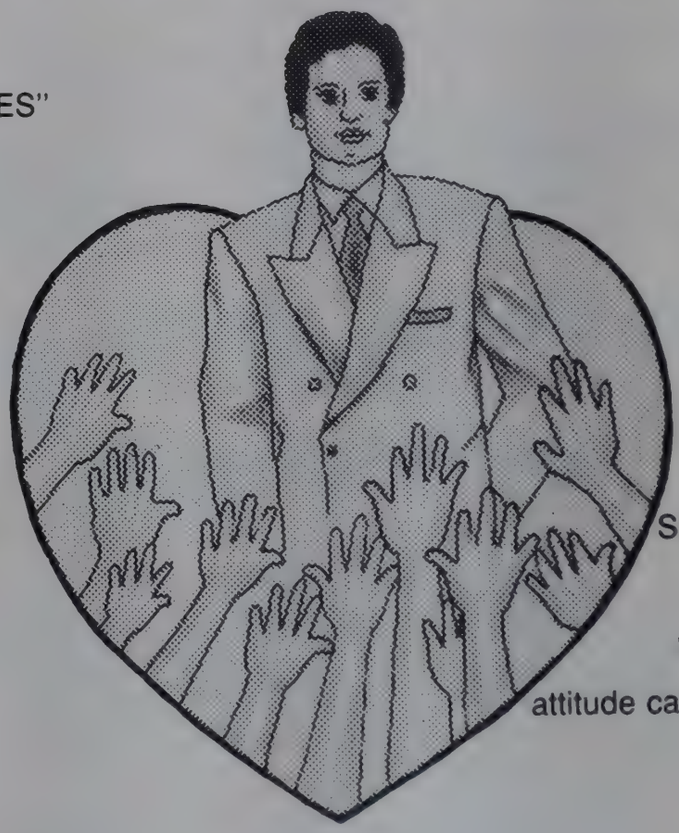
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The **Information Systems Division** of ITC Limited meets the information technology requirements of the ITC group of companies, markets the software products of Unify and Lotus Corporation in India and exports computer software and consultancy services to Europe, USA and the Far East. It has offices in Calcutta, Bangalore, Madras, Bombay, Delhi, London and Singapore, including a unit in the Software Technology Park, Bangalore. Its resource base embraces IBM, DEC, HP, UNISYS, Mini computers, DOS and SUN work stations. Software platforms include most of the contemporary RDBMS/ 4GL environments. A large data communication network utilising INET, RABMN and GPSS is being implemented.

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- managing software projects
- leading software teams as project leaders
- providing database administration and quality assurance services
- marketing software products
- performing as business managers of independent units within ISD.

Project Managers

are expected to have at least ten years experience of which three years should have been in the management of software projects of about three to five man year duration using contemporary technologies. Experience in managing offshore development projects for foreign customers will be preferred.

Project Leaders

should have atleast seven years experience with three years in leading software teams in the development of commercial application software using contemporary technologies. Experience in export projects will be an advantage.

Database Adminstrators and Quality Assurance Managers

should have atleast five years experience in these areas. In particular, the ability to manage the transition into an ISO 9000 compliant software organisation will be desirable.

Software Marketing Professionals

should have atleast three years experience in the information technology or other service industries. Those who have marketed branded consumer products with additional experience in service industries will be preferred.

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are expected to head independent profit centres both for information technology services and products. Experience of around five years in a similar role required. Those with experience in managing overseas software export operations would be preferred.

For all the above positions, formal qualifications in information technology or appropriate work experience in lieu thereof is essential. Remuneration is among the best in the industry and will not be a constraint to the result oriented.
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General Manager
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We are a large multinational organisation in the electrical engineering industry, manufacturing a wide range of electrical and electronic products and systems.

We require for our **Calcutta Works (Joka)** — manufacturing Industrial Control Panels, Control Desks, Motor Control Centres, Crane Control Equipment, etc.

MAINTENANCE ENGINEER

The Job
Supervision of maintenance department and running maintenance of plant and machinery and other facilities like CNC operated machines, electrical and diesel generation plant, burner control of boilers, air conditioning plant, neutralisation plant, office facilities and industrial safety activities, etc.

Age
Not more than 27 years as on 01.6.92.

Qualification
Degree in electrical/electronics engineering with working experience in hydraulic machines and CNC controls will be preferred.

Experience
2-3 years in similar functions in a reputed engineering company.

EXCISE ASSISTANT

The Job
Job involves preparation of price list, gate passes, maintenance of statutory records - RG1, maintenance of statutory records, liaison with officials of the Excise Department for day-to-day routine work including attending to assessment proceedings, etc.

Age
Not more than 30 years as on 01.6.92.

Qualification
The candidate should be a graduate from a recognised university.

Experience
3-4 years working experience in similar functions in a reputed organisation.

MATERIAL ADMINISTRATION ASSISTANT

The Job
The incumbent will be placed in the Logistics Department of our Works. The job will include material planning and administration activities through on-line computerised software, including updating, generation of reports as required, initiation of actions for procurement, ABC analysis for inventory monitoring/control, etc.

Age
Not over 25 years as on 01.6.92.

Qualification
The candidate should be graduate from a recognised university.

Experience
1-2 years in material planning/administration activities.

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Interested candidates to apply, specifying the post applied for, with bio-data detailing, name, address, date of birth, education data (marks obtained, year of passing, university, field of specialisation), extra curricular activities and work experience, etc. along with a recent passport size photograph (non-returnable) within next **15 days** to:

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Please send your Biodata, Envelope marked **"Export Manager"**

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Interviews will be held in Delhi / Calcutta / Bombay

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Country Human Resources Director, Citibank N.A.,
5th Floor, "Bakhtawar", Nariman Point, Bombay 400 021.

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A F Ferguson Associates
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Bangalore-560 042

giving full details of age, qualification, work experience, salary drawn and telephone contact numbers. All applications and envelopes must be marked with 'MS' number.

SESA GROUP

SESA GOA LIMITED

Sesa Goa is an Indian Company with 40% equity participation by ILVA SpA who are part of the public enterprise IRI (Istituto per la Ricotruzione Italiana.) The Company has been engaged mainly in the mining of iron ore and exports over Rs. 150 crores of ore to hard currency areas. It has diversified into Shipbuilding and has successfully commissioned a Pig Iron Plant which manufactures Low Phosphorus foundry grade pig iron. A subsidiary company Sesa Seat Information Systems Ltd. is engaged in the area of Information Technology.

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The candidate should be around 40-45 years of age, well qualified in Metallurgical/ Mechanical Engineering with extensive experience of blast furnace operations. Exposure to senior management level atleast for 5 years is desirable. A person with leadership qualities and administrative background will be an added qualification.

2. Deputy Manager – Maintenance

He should have a degree/diploma in Engineering and minimum 10 years relevant experience in steel industry. He should be around 35 years of age.

3. Shift Superintendent

Candidate should have a degree/diploma in Metallurgy with 4-6 years experience in Blast Furnace Operations. Persons having no formal qualifications but having exposure to blast furnace working for 8-10 years in the supervisory capacity may also apply. Preferred age is 30-35 years.

Above positions will be located at Goa and the remuneration package is designed to attract a high calibre of talent.

Applications giving full details should reach within 10 days of this advertisement to:

General Manager – Personnel

Sesa Goa Limited, Altinho, Panjim, Goa.

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IN VARIOUS CENTRAL PUBLIC SECTOR UNDERTAKINGS

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JOB DESCRIPTION: The Director (Finance) will be a full-time member of the Board of Directors of the company and will be functionally and administratively responsible to the Chief Executive of the company and the Board. His principal responsibility will be to exercise overall control over the Finance of the company and conducting the affairs of the company in a manner which would ensure optimum utilisation of funds and maximisation of production and profit. He will act as the Principal Adviser of the company for all matters relating to Finance and Accounts. As a full time member of the Board of Directors he will effectively participate in the formulation of the corporate policy.

QUALIFICATION & EXPERIENCE: The incumbent should be a graduate with qualifications in Chartered Accountancy/Cost Accountancy/MBA (Finance), with managerial experience at an adequately senior level in corporate financial management and accounts (including cost, budgetary control, institutional finance, working capital management etc).

EMOLUMENTS: The post of Directors (Finance) in the Central PSUs will carry the pay scales of:

Posts in Schedule 'B' Rs. 8500-200-9500.
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Posts in Schedule 'D' Rs. 6500-175-7500.

In addition to this, dearness allowance under the Industrial D.A. pattern, city compensatory allowance and such other benefits as Contributory Provident Fund, gratuity, subsidised housing, medical facilities, leave travel concessions, company car at concessional rates etc. will be admissible.

Persons with exceptional qualifications and experience will be considered for grant of higher starting salary.

AGE: Preferred age for Schedule 'B' posts will be 45 years and the same for Schedules 'C' and 'D' will be 40 years. In any case the candidate should be less than 56 years of age.

GENERAL: Applications with full particulars of name, address, designation, age (date of birth), qualifications, details of experience, existing scale of pay and present basic pay (giving allowances etc separately) and other relevant details may be sent to the **Secretary, Public Enterprises Selection Board, Public Enterprises Bhawan, Block No. 14, 5th Floor, C.G.O. Complex, Lodhi Road, New Delhi-110 003.** The last date for receiving applications will be **three weeks** from the date of issue of the advertisement.

All applications will be treated in strict confidence. Those from the Government and Public Sector should apply through proper channel. Persons from Government will be considered for appointment only on immediate absorption basis.

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This key management position, reporting to the President of the group has the total responsibility for achieving the turn-over and profitability targets. Responsibilities would also include consolidating, streamlining and building up the operations, controlling Financial/Human Resources optimally, establishing sound system for a vibrant environment and leading and motivating a team of young professional managers.

Persons presently holding **profit centre** responsibility in a manufacturing unit, preferably in Electronics, with sound organisational and quality system with successful track record are invited to respond. Preferred age group 40-50 years. Remuneration will match the candidate's profile and will compare with industry standards.

Please apply with a detailed resume within 15 days to:

Box No. 776
BusinessWorld
6, Prafulla Sarkar Street
Calcutta-700 001

WORKSTYLE

TEARING DOWN THE WALLS

n offices across the country, the top brass comes out into the open.

The big, smoked-glass door with glistening metal handles opens into a sleek, simply laid-out waiting area where shades of blue reign — blue and beige wall-to-wall carpet, nd deep blue, thickly-cushioned ofas. The reception leads to a narrow orridor which in turn opens into a vell-lit, airconditioned hall. Complete vith halogen lamps for special effect, he hall is divided by low partitions nto individual workstations.

Welcome to Larsen and Toubro's L&T's) office in the heart of New Delhi. It's an office that's striking not nerely for its opulence but for the vay it's constructed. Cabins for senior executives are the exception — an pen work place is the rule.

L&T's office is symbolic of an architectural revolution that's slowly but surely sweeping the Indian corporate world: the open office. That revolution first gained a toehold in India nearly eight years ago. In the capital, for instance, state-owned corporations such as CMC and Maruti Udyog have for years wowed visitors with their expansive, open work places. Since then, the open office concept has become quite a rage.

"Today, practically 90% of the new corporate offices follow the open plan," says New Delhi's upmarket design consultant Deepak Hazari. "Earlier, only 5% did," he adds. Concurs architect Arun Vadehra, whose firm has designed many offices in the capital: "The open office system caught on because it's functional and recognises the importance of individual workstations."

The open office, or its European parallel, "office landscape," surfaced in Germany in the sixties. The first design was developed by brothers Eberhard and Wolfgang Schnelle, management consultants, who found that illogical office layout hampered work. They chalked out an office plan that comprised a large space totally free of walls, partitions and corridors. In this "open landscape," office personnel could be placed as and how the flow of communication required. The flow of papers, and audio and visual contact were made easy. Managers were made accessible and working groups could feel a sense of cohesiveness.

Indian interpretations. To be sure, Indian corporations have lent their unique interpretations to the open office. Says Bombay-based architect Hafeez Contractor: "There is nothing like an open office in India in the true sense. What exist are landscaped offices or workstations." Explains Rajiv Shroff, a partner at Bombay's Interics Design Consultant: "We actually have a hybrid of open and cellular private offices."



AN OPEN OFFICE: *Ushering in a new work culture; and leaving no room for goofing off!*

Shroff is right. In India, the top brass still gets separate cabins, with everyone else functioning in an open arena. Explains SRF assistant manager Joydeep Bose: "Most Indians still feel comfortable in a hierarchical structure."

Yes, companies such as Delhi's Carrier Aircon, SRF, Nippon Denro and Megacorp have opted for cabinless open offices. But these are few and far between. Most companies still swear by open offices — with a few cabins thrown in for the big bosses.

And the list of outfits which have switched to the modified open office forms a veritable Who's Who of the corporate world: Nestle and ICI (both of which recently moved into new open offices in New Delhi); Bennett, Coleman & Co, publishers of The Times of India group of newspapers and magazines, whose new office at Herald House in New Delhi fits into the open office mould; HTV; Killick Nixon; Vam Organic Chemicals; Escorts at Faridabad on the outskirts of the capital; Maxxon India; Modi Xerox; Lintas India; SRF; Grindlays Bank; American Express; ABN-Amro Bank; Citibank; Swiss Air; Hindustan Lever; Shaw Wallace; Thomas Cook; and Dunlop.

Even a clutch of public sector companies has hit the open office route. After computer company CMC established a beachhead in the open office area, the Cement Corp of India (CCI), Minerals & Metals Trading Corp

WORKSTYLE

(MMTC) and Bharat Heavy Electricals Ltd (Bhel) sought to adopt the open office plan.

Strikingly too, Indian companies are opting for what design consultant Hazari calls the "modular" system. Modules, complete with furniture and partitions, are standardised so that partitions can be added or removed whenever required. In the process, solid cement and wood divisions are being replaced by low, light-weight partitions. What's more, furniture can be adjusted to accommodate new equipment or to rearrange wiring and lighting. Office layout can be drastically changed overnight without having to foot fat construction bills or losing working hours.

So why are companies turning to the open office in droves? The answer, quite simply, is that space is at a premium, especially in the metros. Cabins were once considered an expression of territory. The quickly burgeoning cost of office space changed all that. DCM human resources assistant manager Navneet Kumar Gupta raises another valid point: "There are countless managers and general managers in a company today. How many cabins can you provide after all?"

Certainly, most companies take real estate costs into consideration while arriving at decisions on the kind of office they want. "Cost effectiveness is an important consideration," affirms Hindustan Lever's Bombay-based manager (manufacturing) Alok Gupta.

Today, space costs anything between Rs 30 and Rs 60 per square foot in Delhi's coveted Connaught Place area. Open offices, on the other hand, economise on floor space, thus saving on rent or construction costs. In a conventional office, each employee occupies roughly 100 square feet of space. In an open office, he manages in less than half that area.

Costs are saved in other ways too. Lighting, airconditioning and maintenance bills can be leaner in open offices. "It is cheaper to aircondition a central hall than each cabin separately," confirms Alankar Bhushan, a director at Bombay-based ABM Architects. That's true of computers too. Not only can a computer be shared, but fewer backup facilities are required.

Still, not everyone agrees that open offices carry a lower price tag. "Open offices certainly do not work out to be cheaper," argues Hazari. The initial saving on costs may be partly or totally offset by the extra cost of furniture, workstations or by the opulence that is the hallmark of most corporate offices today, he says.

Overriding advantages. Yet many managers swear that the sheer advantages of open offices are overriding. For instance, they can dramatically alter work cultures. According to K.T. Ravindran, a New Delhi architect, open offices are designed with the purpose of better communication. "Any office structure is a network of communication where things move in a circuit. And the physical plan of the office is the interpretation of that circuit," he says. Recognising this, many more companies have eliminated cabins over the last decade, in a bid to improve communication between staff and executives.

Certainly, communication is crucial in the changing corporate landscape. In Bombay, Nexus Equity Advertising managing director Rajiv Agarwal says: "Open offices are ideally suited for internal communication. After all, human interaction is an ongoing process. The earlier offices were like tombstones placed next to ea other." Maruti Udyog chairman managing director R.C. Bharga agrees: "Rooms with shut doors ar distinct barrier."

The new kind of offices has go down well with most executives; f resent the loss of privacy. Says Leve Gupta: "Most officers find their n workstations more practical and b ter equipped. There is no loss of fac

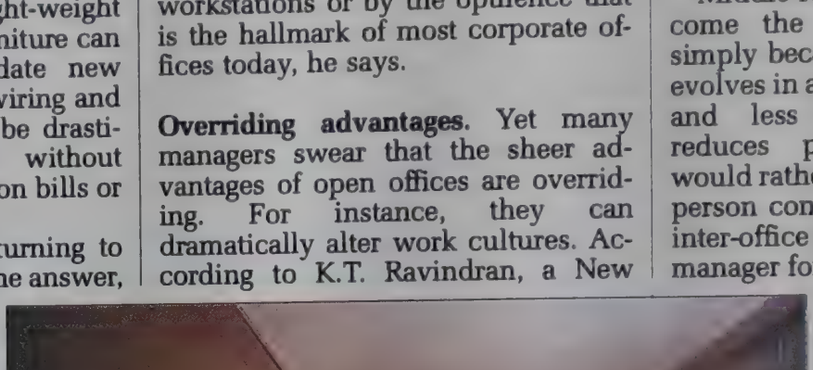
Middle-rung staff too broadly w come the new architecture, qu simply because the work culture t evolves in an open office is more op and less bureaucratic. "It ev reduces paperwork because y would rather walk up and speak to person concerned instead of send inter-office memos," says SRF dep manager for human resource devel ment Odette D'Souza.

From the viewpoint top management, the c stant visual contact open offices betw managers and staffers i blessing. "It makes the fice better disciplined people do not goof o says Maruti's Bharga Megacorp manag director Sudhir Lal ad "Politicking is minimi and frayed tempers under control. In an op pattern you cannot s for too long either." Su perceptions are echoed public sector corpo tions. Says CCI chairm and managing direc Anand Darbari: "The open office definitely reduced tea and gossip sions."

Nonetheless, executives do need chalk out strategies in private. W then, do they do when they requ privacy in an open office? Accord to the architects, decibel levels can considerably lowered by, among ot things, using gypsum boards in ceiling, carpeting floors and ba ground sound systems. And priv can be ensured in separate rooms are earmarked for meetings, confe ces and the like.

With all these advantages going them, open offices are no longe closed option for Indian corporati

□ Suchi Bansal with Nonita Kal



A 'MODULAR' OFFICE: *Open, to an extent, but cellular enough to preserve some privacy*

POTPOURRI

BABY'S DOSSIER

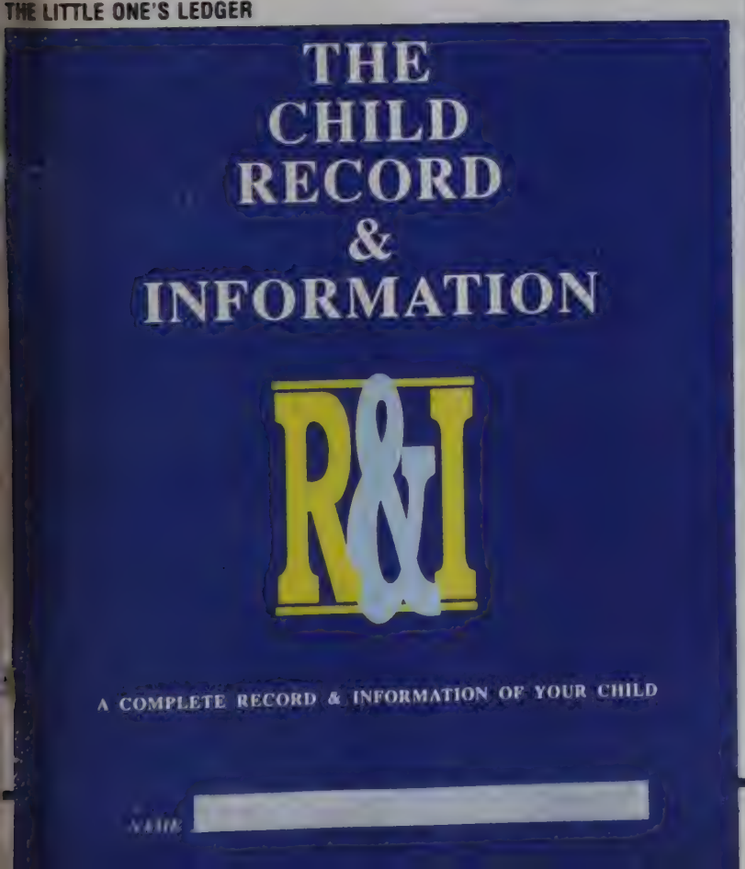
Here's a nice little gift r a couple that's having baby. *The Child Record Information* book nables parents to naintain a comprehensive ossier on their child's rogress, from the day of irth till the 18th birthday.

Comprehensive with a apital 'C,' the book ecords everything — rom 'weight at birth' to horoscope' to 'first words' o 'school reports', to medical history' to investments'. For good neasure, there are mmunisation nstructions, food charts nd detailed descriptions f various diseases and heir symptoms. There's room for photographs, too.

Brought out by the Hyderabad-based 3P Company, and expected to be available nationwide soon, the book is reasonably priced at Rs 50. It's a pity, though, that the publisher didn't pay a little more attention to aesthetics — the cover is pathetic.

Then again, what's that they say about judging books by the cover...?

THE LITTLE ONE'S LEDGER



ALOHA! CHEERS!

Call them the Bar Wars. Delhi's tipplers may be toasting to (and at) Thugs and The Jazz Bar, but the rest of the capital's watering holes are beginning to fight back with attention-grabbing gimmicks of their own. Joining the battle in right earnest is Hotel Le Meridien's Aloha, with an exotic range of cocktail curiosities. Dreaming of a holiday in Hawaii? If you find the budget heart-breaking, try drowning your sorrows in 'Zombi', a combination of white and dark rum, *creme de menthe*, orange, pineapple and lime juices, served with crushed ice in a Dicky mug.



SUPERB FOOD & THE RIGHT AMBIENCE

Or close your eyes and conjure up images of golden beaches and roaring breakers while you sip the simple 'Feelings' (white rum, Malibu and pineapple juice) out of a coconut shell.

Better yet, go off on a 'Kontiki Voyage' with a concoction of white and dark rum, cointreau, granadine, pineapple and lime juices — served *flambe* in an unusual 'volcano' bowl. If you aren't careful, you could end up with blisters on your lips!

GOURMAND'S DELIGHT

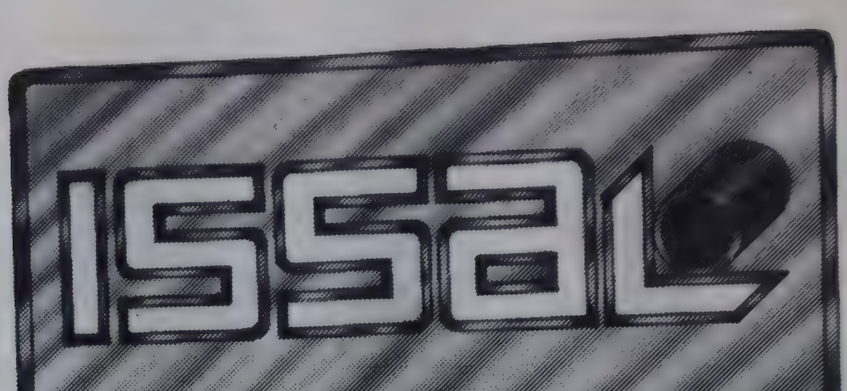
Move over Coconut Grove, here's Karavalli. Bangaloreans are going ga-ga over the coastal cuisine dished out at the quaint little restaurant in the heart of their town. Its second anniversary celebrations last fortnight were an unqualified success; patrons queued up for the special Rs 125 buffet dinner that comprised wedding delicacies from Karnataka, Kerala and Goa. The resultant smacking of lips considerably raised the general decibel level.

To put it simply, the food's superb. Chef Bernadette Pinto travelled extensively through the villages and fishing hamlets of Karwar, Goa, Mangalore and the Malabar coast to create Karavalli's exotic menu. Most of the cooking is done in earthenware pots over wood fires and the delicious preparations are served in copper vessels, the traditional south Indian way.

And then, there's the ambience. The restaurant is housed in a tiled, Mangalore-style building that boasts a large tree-lined courtyard. Not for nothing did the Bangalore Urban Art Commission declare it the city's "best landscaped and best maintained small restaurant."

Next time you're in Bangalore, check out Karavalli. You're guaranteed a finger-lickin' feast.

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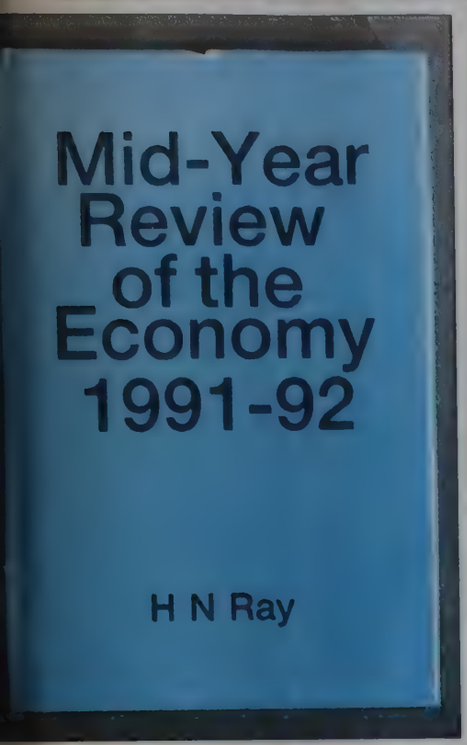
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PRESS

A CONCISE ANALYSIS



(Mid-Year Review of the Economy 1991-92; *by H.N. Ray; Konark Publishers in association with India International Centre; 1992; pp 98; Rs 150.)*

Since 1975-76, the mid-year reviews authored by Malcolm Adiseshiah have been awaited with anticipation and read with respect. After 15 years, Adiseshiah has decided to call it a day and has handed the baton to a worthy successor in H.N. Ray. To recap, Ray is a retired finance secretary who later served as member of the seventh finance commission and executive director of the World Bank.

Members of the Indian Civil Service were supposed to be generalists, but years of application in moulding economic policies at the macro-level have lent Ray the credentials of an economist. His 79-page review ("a solo effort on my part") is a marvellous example of concise analysis. He describes the current situation, examines the policy measures adopted and then subjectively anticipates likely future implications. All of this is, mercifully, free from jargon and bureaucratese.

This monograph is valuable not just because of its cogent, dispassionate analysis but also because all the data cited here is supported by relevant references. Ray crunches a great deal of minute figures and numbers, and does so with exactitude. Examples: investments in the central public sector stood at Rs 99,315 crore on 31 March 1990; the Central government establishment is postulated at 42 lakh persons as on 31 March 1992; the Centre's interest payment burden for 1992-93 stands at Rs 27,450 crore and represents as much as 43% of the total revenue expenditure.

Opines Ray: "It is worth pointing out that the seventh plan, while it put the country on a higher growth trajectory, has been financed in an unsound way, and this feature to a great extent can be held accountable for the present financial difficulties facing the country. Throughout the period of the seventh plan, the balance from current revenues has remained negative, and in fact has deteriorated over the plan period... Clearly, massive and persistent borrowings to finance plan expenditure are unsustainable, especially when much of plan expenditure cannot be expected to yield positive financial returns, adequate for servicing the borrowings."

He suggests plan expenditure be confined to the core sectors alone with new projects being discouraged except in essential areas like power, energy, irrigation, transportation and agriculture. Ray also urges the Union government to reduce its own fiscal deficit, given that there is considerable fat left in its expenditure budget. On the export front, he says the home market is still proving to be too attractive as compared to the export market and adds that the government should "enter into a mutually beneficial partnership with the private sector" to promote exports. And on the controversial labour front, he minces no words in stating that greater freedom to enter business must as a corollary require freedom to exit.

This monograph will contribute positively to the understanding of the complex Indian economy. One wonders, though, why its publication took so long: Adiseshiah's brief preface is dated January 1992 and now we are well into fiscal year 1992-93.

GENESIS OF INDIAN INDUSTRY

(Entrepreneurship and Industry in India 1800-1947; *edited by Rajat Kanta Ray; Oxford University Press; 1992; pp 263; Rs 240.)*

Why was the Indian economy unable to effect an industrial revolution? Was it too backward around 1800 for it to take off in the course of the 19th century? Or did underdevelopment 'develop' in India as a result of deindustrialisation in the course of that century?

This research addresses these basic questions regarding the history of industry in India and goes on to raise some others: why did the linking of Indian capital to industry come so late? How was the sophisticated and highly evolved world of the bazaar so completely shut out from the European preserves of modern banks, export-import houses, plantations and factories? What were the circumstances in which European enterprise carved out the exclusive sphere of corporate industrial operations for itself? What benefits did this European enterprise confer on the country in terms of economic growth? How is it that Bombay was the one region where Indian enterprise was able to carve out an early niche in that exclusive sphere?

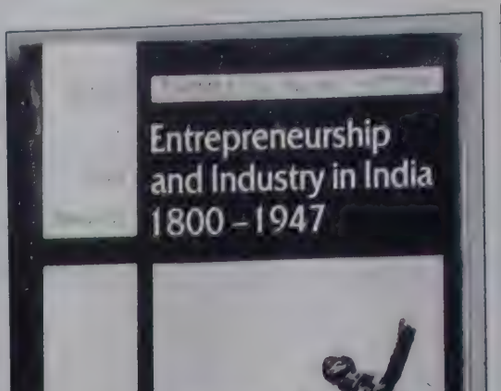
One line of thinking associates the distorted pattern of India's industrial evolution with the colonial factor: the

laissez faire economics of the raj, the throttling system of monopoly that flourished in the high noon of empire and opportunities missed in heavy industries during the second world war on account of government obstructions.

The other argument minimises the colonial factor and seeks explanation in the low level of the Indian economy. It reckons technological backwardness of the Indian economic structure as the major factor blocking the sustained growth of investment in large-scale industry, and challenges the contention about the profoundly inhibitive impact of colonial economic interests on levels of investment in India.

The lineage of this debate can be traced back to the acrimonious controversy between Lord Curzon and R.C. Dutt at the beginning of the century, or to the even earlier debate on poverty in the 1880s. This old debate, as this volume shows, still continues.

The essays by Kling, Sinha, Sen, Desai, Timberg, Bagchi and Goswami in this volume focus specifically on two themes. First, the evolution of business enterprise, the nature of



entrepreneurship and the operational strategies of different groups. Second, the history of modern industries, the structure of industrial investment, the patterns of regional growth and the temporal rhythms of industrialisation.

In his introduction, editor Rajat K of Presidency College, Calcutta, h toriographically traverses a panoram swathe covering one-and-a-half tion-packed centuries. *Inter alia*, emphasises the need to go beyond concern with organised sectors business. He shows that the world the bazaar, in which indigenc bankers and traders operated, v sharply distinct from the world modern business dominated Europeans. It is from this world of bazaar that business communit emerged, and to it they remain linked. Through a study of dif ent business communities (Pa and Marwaris, for example) reveals the links between these t sectors.

Today, more than ever before, ever Indian industry is striving to come i its own, there is a need to underst its genesis. The evolving Indian b ness ethos owes a great deal to th roots. To all those interested in the 'w rather than the 'what' of Indian dustrial development, this latest volu in Oxford University Press's *Theme Indian History* readings is accura what the doctor prescribes.

GREEN ALTERNATIVES

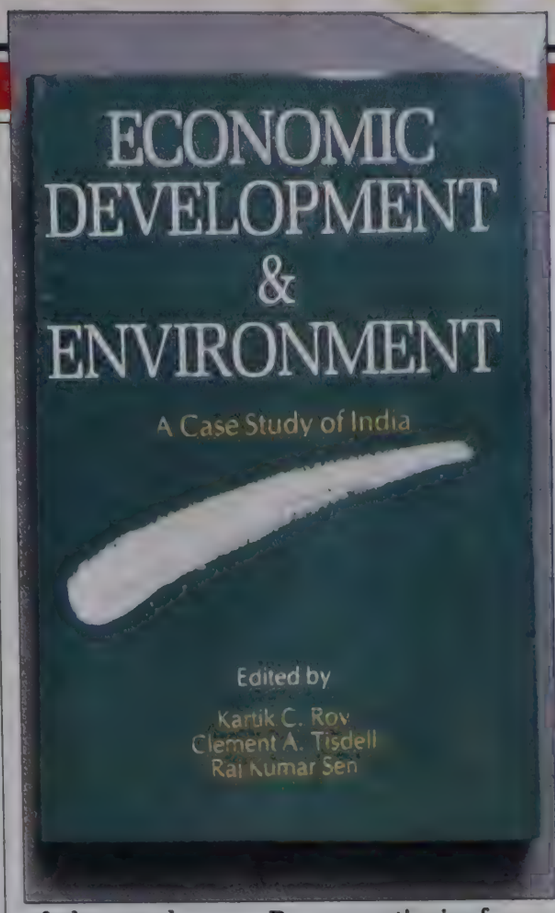
(Economic Development and Environment: A Case Study of India; *edited by Kartik C. Roy, Clement A. Tisdell and Raj Kumar Sen; Oxford University Press; 1992; pp 164; Rs 200.)*

In the context of the recently concluded Earth Summit at Rio, environmental issues are the topic of the day. This book analyses the impact of industrialisation on India's ecology and environment. The following extract discusses the problem of reconciling short-term interests with long-term benefits:

The reconciliation between short-term interests and long-term benefits is a major issue in achieving sustainable development in India, specially in the rural sector. From the point of view of ecology and environment, industrial activities can seriously damage rural areas as most industrial raw materials in the form of natural resources are located in rural areas inhabited mainly by the tribal people. Widespread deforestation for the purpose of various industrial and household activities has serious effects on the physical and social environment of the land. Though mining activities cannot be abandoned in developing economies like India, they should fulfil the eco-development requisites as far as possible.

The large hydroelectric projects and big dams also produce similar serious consequences on tribal people. The question of power generation versus environment protection has been raised a number of times in India. The Silent Valley Project in Kerala has evoked universal protest from environmentalists. Many cost-benefit studies on the Tehri Dam Project in Uttar Pradesh consider it an investment courting disaster. In any case, sustaina development requires a modificat of the traditional costing procedur the inclusion of the environme cost. It is necessary to evaluate short-term benefits in the contex long-term implications or the o way around.

A case study of north-eastern I on shifting agriculture and sustain tribal development shows relevance of the traditi philosophy of rural development cially in tribal areas. It has been served that the vital link betw natural and social sciences is ensu when the rural environment is riched through an integrated proach to the ecosystem. While modern variety of agriculture been proved inefficient in ecolo terms, the traditional *Jhum* cultiva pattern, where productivity can b creased by manipulating the mixture, has been found to be eco cally sound in the hill areas to crease food production. rediscovered potential of weeds t hance soil fertility and pest cont



other area demanding more serious ention in tropical agriculture. Low vel appropriate rural technology in- grated with animal husbandry can lp design development packages r a cluster of villages with nsideration for the unique features the land and people. A develop- ent plan considered good by the out- der may actually be inappropriate r protecting the unique charac- ristics of the tribal people. This re- uires the adoption of a strategy hich protects the traditional value ystem and thus can be accepted by he local people in the form of their ctive participation in the implemen- ation of the strategy. Such steps can nhance the natural resource base and ead to sustainable development of ural ecosystems.

A blind imitation of western levelopment patterns has also in- luenced the effects of technological hanges in India's rural sector in such a way that they have sig- nificantly changed the rural en- vironment and economic conditions of the rural poor. Bureaucratic inef- ficiency, politicisation of the im- plementation process and ideological dogmas have often prevented the genuine improvement of India's rural economy. It is now gradually be- coming clear that the widely publicised Green Revolution in India has also resulted in many ir- reversible environmental losses, as agricultural growth is now becom- ing a function of non-renewable inputs and energy resources. The adoption of technologies with un- sustainable consequences is often influenced by large companies and multinationals to perpetuate their own commercial interests. It is now widely agreed that this strategy has caused hardship to the landless labour, small and mar- ginal farmers especially in terms of the loss of non-exchange income not reflected in the growth of per capita income over time. The administrative lapses and in- competence too have often reduced the efficiency of poverty ameliorating programmes like the NREP (National Rural Employment Programme) etc, formulated as com- pensatory devices for the under- privileged.

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THAKORE'S PEOPLE



There's yet another award for services rendered to the advertising professionals fraternity coming S.R. ('Mani') Ayer's way. The Advertising Agencies Association of India (AAAI) — the apex-level organisation of the major advertising agencies in India — has awarded the AAAI-Premnarayen Award (1991) for outstanding contribution



THE AYERS: *Low-key*

to the persuaders' profession to Ayer. Only three other admen, all of them true-blue professionals (Subhas Ghosal, Bal Mundkur and K. Kurien) have been conferred this prestigious award. "I feel deeply honoured. This award is special because it is given by my peers in the profession," says Ayer.

Not that honours conferred by the persuaders' profession are new to Ayer. In 1989 he was inducted into the Hall of Fame of the Advertising Club, Calcutta and has served as the president of AAAI (1980-82) and chairman of the Audit Bureau of Circulations (1987-88).

But perhaps more commendably, Ayer (56) — currently the chief executive of Ogilvy & Mather (O&M) — is perhaps the longest serving professional CEO of any agency in the country. Even more remarkable, in a profession in which executives switch agencies as frequently as Hollywood stars change spouses, Ayer has stuck with the same agency, even though the agency itself has suffered several personality changes, for 33 years.

A physics and mathematics graduate of Bombay University, Ayer began his professional career as a reporter in the *Free Press Journal*, then a well-known nursery for the ambitious within the fourth estate. But 18 months later in 1959, Ayer quit and signed up with S.H. Benson (SHB) as a copywriter. Ten years later, after successful high-flying stints in London (1963-64) and as branch manager in Madras and Calcutta, Ayer was appointed a director of SHB.

In 1971 SHB was absorbed by O&M (UK) and in the following year Ayer was posted to Melbourne, Australia and put to the test as director of the Dunlop and Unilever accounts. Quite obviously he passed because in 1974 he was recalled to India as managing director and CEO of O&M — a position he has held ever since even as the agency's billings ballooned from Rs 2.62 crore in 1974-75 to Rs 85 crore in the recently concluded year. "Advertising has played a useful role at various phases in post-Independence India's economic history. Initially it helped the distribution process by making the trade aware of new products. Subsequently during the self-reliance phase of the seventies, it created public confidence in Indian brands. And now in the current liberalised competitive phase it is building brand franchises. I have no doubt that the profession will continue to play a vital role in the current competitive era," says Ayer.

A well-read and surprisingly low-key ad man, Ayer lives on Bombay's Malabar Hill with his wife Fakhira. The Ayers have a married daughter Azka (28), a social worker, and a son Zeid (27), reading for his second doctorate in nuclear physics in the US.

The density of human traffic in and out of Bombay's well-known Jehangir Gallery (JAG) witnessed during last week of June has not been s for a long, long time, opine connoisseurs of art. The cause: Subhash Awchat's dazzling exhibition of 45 oils and six sculptures. Ranging in size from four sq ft to 60 sq ft, the canvase suffused with the deep evocative colours — dark red, black and orange in particular — which ar characteristic of Awchat's work, attracted the concentrated attenti of people from all walks of life a strata of society.

"I am very gratified by the publ response to this exhibition. This i only my third exhibition of painti Therefore the response is particula encouraging," says Awchat (40) w is almost unanimously being acclaimed as the most exciting yo artist of the nineties.

This is perhaps because unlike most contemporary artists whose formative influences tend to be rooted in the middle-middle and upper-middle class experience in India's sharply polarised society bitter fruit of 40 years of spineles sentimental socialism), Awchat h been through the school of hard knocks. Born into a medical practitioner's family in a small to (Otur) in the deep interior of Maharashtra, he has matured into an artist after running an adverti hot-shop in Pune, devising illustrations for most Times of In

AWCHAT: *Paints what he feels*



up publications and designing r 6,000 book jacket covers for blishers including Jaico and nguin. "I have also painted movie sters and made film cumentaries," says Awchat, calling his eventful formative ars.

Though he staged his first public hibition of 65 ink drawings in 79 in Bombay which drew an preciative if not enthusiastic sponse, the turning point of wchat's development into an xciting new-generation artist was a 0-month sojourn in the US and urope in 1986. "It was during this me that I became conscious of my apability to mature into a serious rtist," he recalls.

In 1987 Awchat unveiled his first xhibition of 300 oils at the JAG in ombay. The theme: coolies. The xhibition was a great success and rew rich praise from well-known ritics. The latest exhibition eaturing "the Holy and the *Hamaals*, the Press, the Paper, the People. The clown and the child. Me and Mine," puts the seal on Awchat's development into an mpressionist painter of deep nsights. "I paint what I see and eel. I don't like to intellectualise too nuch," says Awchat who put only 20 of the 45 works exhibited (price range: Rs 8,000-1,50,000) on sale.

An artist who drives himself hard ("I paint 12 hours a day") Awchat ives in Bandra — Bombay's premier suburb — with his wife Sumitra and sons Dhruv (15) and Salil (10).

Whatever one hears about India is usually true, but the opposite is also true. Whoever is the author of this perspicacious comment knows the complex society, with its amazing contrasts, which he is talking about. Certainly in a 'conservative, traditional society' such as India you wouldn't expect to meet a maritally-committed couple of professionals — both in the same profession — with a his and her firm and competing with each other, would you?

Well, meet Anu and Sudhir Behl the proprietor and managing director respectively of Conference & Marketing Services (CMS) and Spectra PR. Both of them are public relations (PR) professionals who have chosen to go solo in a much misunderstood but increasingly important line of business. Recently Anu celebrated the completion of five years in this demanding profession.

"A PR professional's job is quite like a writer's: it seems easy until you get down to it. In fact it requires a wide and rare combination of communication and organisational skills. This is particularly true of PR professionals in India where Murphy's law, that is, everything that can go wrong will go wrong, is the rule rather than the exception. In such a scenario the role of the independent PR consultant who can provide an unbiased outsider's perspective is becoming increasingly important and appreciated," says Anu a philosophy and history postgraduate of Aligarh Muslim University who served with two export firms before promoting CMS in early 1987. Today, clients include Zodiac Shirts, Kanmoor Foods, Tisco, Rallis India and Telephone Cables, Chandigarh.

Inspired by his wife's enterprise and example, Sudhir Behl followed suit by promoting Spectra PR in 1988. An economics and history graduate of Lucknow University, Sudhir is a PR professional with more corporate experience. Beginning his career in the tea estates of West Bengal where he served Gillanders Arbuthnot & Co as an estate manager (1960-71), Behl acquired valuable corporate experience in Readers Digest India where he rose to the position of sales director (1971-77), Lintas India (1979-81) and the engineering blue-chip company Larsen & Toubro (1981-88) where he rose to the position of deputy general manager (advertising & PR). "My adventures — and misadventures — in these professionally managed front-rank companies provided me valuable insights into corporate cultures and the need for professional PR services," says Behl.

Currently Spectra PR's client list includes Cadbury, BASF, Castrol, Deepak Fertiliser and Blue Star among other companies. "Indian industry needs a more thorough understanding of the need for professional PR. Companies which don't make this effort will suffer in the newly emerging order," predicts Behl.

The Behls live on Bombay's upmarket Altamount Road with their charming daughters Devika (22), a business management student, and Radhika (19), who is reading economics — both at Bombay Univeristy.



THE BEHL CLAN: *All in the family*

The author is the former editor of Business India, BusinessWorld *and* Debonair.

BUSINESSPEOPLE

When her Nikki-Tasha range of stoves and grills failed to set the country's kitchens on fire, Ritu Nanda was the laughing stock of the capital's kitty party circuit. But Raj Kapoor's daughter and Escorts managing director Rajan Nanda's wife didn't waste much time moping over the failure of her first venture.

She focused her energies on that most unglamorous of vocations: insurance selling. And it has paid off, handsomely. For the second straight year, Nanda has been named Life Insurance Corp's (LIC's) top salesperson — and she's in the running for a place in the *Guinness Book of Records*.



NANDA (L) & NATASHA: *Using their imagination*

In 1991-92, she notched up an astonishing Rs 5.05 crore in conventional business for LIC and sold 5,000 'Jeevan Dhara' policies, with a total premium of Rs 65 la Her claim to a place the book: she's introduced more individual LIC polic (over 10,000!) in a si financial year than a other agent in the business.

Needless to say, Nanda's having the t of her life. "It's a ter profession," says she secret of her success it needs is a little imagination."

And that's somethi she's passed on to he daughter Natasha — for the record, ranks fourth among LIC's m successful agents in t northern region.

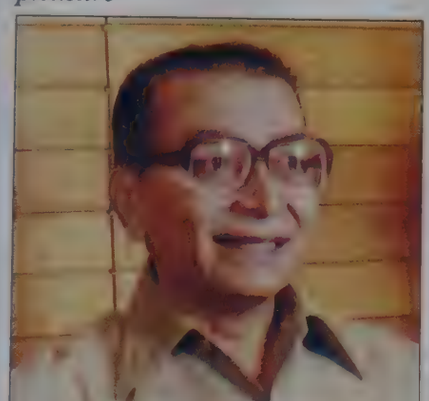
Now that he has retired as chairman of Kirloskar Cummins, Arun Kirloskar intends to spend a lot of his time "going around with a begging bowl, asking for help."

Kirloskar, 57, has devoted himself to the Shri Ram Krishna Charity Trust, an organisation that seeks to provide for the schooling of young boys and girls whose families earn less than Rs 200 a month. It's a cause he has been promoting for quite a while now; in the eighties, he took a five-year sabbatical from his job to work for the trust in the remote rural regions of western Maharashtra.

The trust is, by Kirloskar's own admission, not the most ambitious charitable institution around. "We are not the Ford Foundation or the Rockefeller Trust. All we do is make sure that some poor children can go to school," he says. Nor does he claim to enjoy every minute of his work: "Most of the time, I feel miserable."

But he intends to soldier on, just the same. For how long? "This isn't a business; you can't set specific goals," he says.

KIRLOSKAR: *His new business is no pleasure*



Her Stanford University masters degree in international policy studies didn't prepare Gayatri Tahiliani for her family businesses. But two years of on-the-job training have obviously given her all the confidence she needs.

She now divides her time between two disparate companies — Ensemble, the fashion house, and Jayems Engineering, the machine tools trading outfit. "Switching from one gear to another is quite a challenge," she says.

Jayems is professionally managed and, therefore, needs no more than general monitoring. But Ensemble requires more attention. Along with her brother Tarun, Tahiliani works on merchandis and marketing strateg human resource management, designe relations and exports.

Once virtually the supplier to Bombay's upper-crest wardrobe Ensemble is now buf by competition from likes of Ravissant and Vama. But Tahiliani i fazed. "I think it's qu exciting... competitio imperative for the gr of the industry. It has made us work harder



TAHILIANI: *On the job*